

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Northeast Rural )  
Services, Inc. dba Bolt Fiber Services For a )  
Certificate of Convenience and Authority to ) Docket No.19-\_\_\_\_\_-\_\_\_\_\_-\_\_\_\_\_  
Provide Local Exchange and Exchange Access )  
Service within the State of Kansas. )

**APPLICATION FOR CERTIFICATE OF AUTHORITY**

Comes now Northeast Rural Services, Inc. ("Northeast"), an Oklahoma corporation, authorized to do business as a foreign corporation in the State of Kansas, and hereby request a certificate of convenience and necessity as a public utility for purposes of engaging in the business of a Competitive Local Service Provider in the State of Kansas under the business name of Northeast Rural Services, Inc. dba Bolt Fiber Optic Services ("BOLT" or "Applicant"), in the territory described specifically below. For purposes of verification and in evidence of fitness to operate, Applicant offers the following information in support of this Application:

1. The name of the corporation making this filing is Northeast Rural Services, Inc. d/b/a Bolt Fiber Services.
2. The Federal ID number is 73-1336388
3. The type of certification requested by applicant is Competitive Local Exchange Service.
4. The address of Applicant's principal office is:

Northeast Rural Services  
d/b/a Bolt Fiber Optic Services  
27039 S 4440 Road  
P O Box 399  
Vinita OK 74301  
Phone (844)256-2658

5. Applicant is requesting to provide service within Kansas territories served by incumbent local exchange companies that do not meet the definition of a rural telephone company, including but not limited to, AT&T Kansas and CenturyLink.

6. This Application is prepared and presented by counsel for BOLT:

Glenda Cafer  
Cafer Pemberton LLC  
3321 SW Sixth Avenue  
Topeka KS 66606  
Phone (785)271-9991  
[glenda@caferlaw.com](mailto:glenda@caferlaw.com)

7. The name of the Commission/Industry Relations contact for BOLT is:

Connie Porter  
Manager of Financial Services  
27039 S. 4440 Road  
Vinita OK 74301  
Phone (918)256-9351

8. The corporate officers of BOLT are as follows:

Anthony Due  
General Manager/CEO  
27039 S. 4440 Road  
Vinita OK 74301  
Phone (918)256-9351

Connie Porter  
Manager of Financial Services  
27039 S. 4440 Road  
Vinita OK 74301  
Phone (918)256-9351

9. The Directors of Applicant are set forth on **Exhibit A**.

10. Description of operations:

A. The Applicant plans to offer competitive local exchange services beginning in the first quarter of 2019 in non-rural exchanges of Kansas. Applicant plans to offer competitive service to business customers.

- B. There will be approximately ten (10) company personnel assigned to manage and support the Kansas services. These personnel will be physically located in Vinita, Oklahoma.
  - C. Telecommunications equipment will be VoIP end devices with switching from the Metaswitch located in Vinita, Oklahoma. Such facilities are owned by the Applicant.
  - D. No state or federal entity has denied certification to the applicant and no legal enforcement or action has taken place.
11. Applicant has the technical and managerial qualifications necessary to provide the proposed services. Applicant's managerial qualifications are set forth in the bios of key employees, attached hereto as **Exhibit B**.
12. Representations:
- A. The Applicant will follow the rules established by the Commission in Docket No. 191,206-U. The Applicant anticipates no problems with this issue. The Applicant has the management expertise to deploy the necessary resources to meet the quality of service standards established by the Commission.
  - B. The Applicant will follow the Commission's Billing Practice Standards as ordered in Docket No. 120,408-U. The Applicant anticipates no problems with this issue. The Applicant has the management expertise to meet the Billing Practices Standards established by the Commission.
  - C. BOLT is presently in the process of deploying broadband service throughout parts of northeast Oklahoma. Currently BOLT has deployed approximately 2,450 miles of fiber. This Fiber-To-The-Home Project (FTTH) offers a triple-play package consisting of gigabit internet, HD television and VoIP telephone service. BOLT began providing service in June 2015, and presently serves over 7,800 customers, of which approximately 400 are commercial subscribers. BOLT continues to add subscribers daily.
13. Financial information – Capital Stock
- a. The class of stock for Applicant is Common. There are 1,000 shares authorized by charter. The number of shares sold is 500, leaving 500 outstanding. The Common stock has a \$1 par value per share. There are no shares held for resale or cancelled.

- b. Applicant's principal stockholder is Northeast Oklahoma Electric Cooperative, Inc., P O Box 948, Vinita OK 74301. This stockholder holds 500 shares with a total stated value of \$500.
14. The Applicant's financial qualifications are set forth in **Exhibit C**, which includes the 2015, 2016 and 2017 Financial Statements of Northeast Rural Services, Inc.
15. The proof of incorporation in the State of Oklahoma is attached as **Exhibit D**.
16. Applicant's Certificate of Good Standing in the State of Kansas is attached hereto as **Exhibit E**.
17. Applicant's customer service contact person is:
- Jason Palmer  
(918)256-9443
18. Applicant's interconnection agreement is a Domestic Interconnection Agreement between Level 3/CenturyLink and Northeast Rural Services, Inc. It is attached as **Exhibit F**.
19. Applicant will provide an Intrastate Access Tariff to be approved by the Kansas Commission. Operations will not begin until approval of the tariff has been received. Local exchange tariffs are no longer required in Kansas.
20. The KCC Telecommunications Carrier Code of Conduct is included with this Application as **Exhibit G**.

Respectfully submitted,

/s/ Glenda Cafer

Glenda Cafer (#13342)  
(785) 271-9991  
Terri Pemberton (#23297)  
(785) 232-2123  
CAFER PEMBERTON LLC  
3321 SW 6<sup>th</sup> Avenue  
Topeka, Kansas 66606  
(785) 233-3040 (fax)  
[glenda@caferlaw.com](mailto:glenda@caferlaw.com)  
[terri@caferlaw.com](mailto:terri@caferlaw.com)

**ATTORNEYS FOR NORTHEAST RURAL  
SERVICES, INC. D/B/A BOLT FIBER OPTICS  
SERVICES**




**OATH**

State of Oklahoma)


SS:

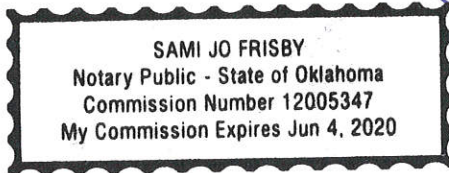
County of Craig)

Anthony Due, being duly sworn, deposes and says that he is the General Manager and CEO of Northeast Rural Services, Inc., dba Bolt Fiber Optic Services, and that the facts set forth in the foregoing Application have been prepared under his direction, from the original books, papers and records of said company, that he examined same, and declares all to be true and correct to the best of his knowledge and belief. Further, that Applicant has full knowledge of the Kansas Corporation Commission's jurisdiction affecting local services providers and will comply with the applicable requirements of this Commission.

  
Anthony Due

Subscribed and sworn to before me on this 30 day of October, 2018.

  
Notary Public

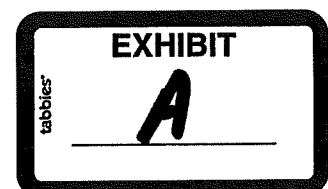


Organizational Information

If incorporated, list information concerning company directors:

LIST OF DIRECTORS

Line No. (a)	Name of Director (b)	Address (c)	Term Began (d)	Term Expires (e)	Shares of Common Stock (f)
1	Dandy Risman	P O Box 399	9/24/2008	9/15/2018	
		Vinita, OK 74301			0
2	John Myers	P O Box 399	9/19/2009	9/15/2018	
		Vinita, OK 74301			0
3	Benny Seabourn	P O Box 399	8/15/1977	9/21/2019	
		Vinita, OK 74301			0
4	Jimmy Caudill	P O Box 399	5/12/2014	9/21/2019	
		Vinita, OK 74301			0
5	Billy R. Kimbrell	P O Box 399	9/11/1986	9/15/2018	
		Vinita, OK 74301			0
6	James Wade	P O Box 399	8/11/1994	9/21/2019	
		Vinita, OK 74301			0
7	Sharron Gay	P O Box 399	4/30/2010	9/15/2018	
		Vinita, OK 74301			0
8	Everett Johnston	P O Box 399	9/20/2008	9/15/2018	
		Vinita, OK 74301			0
9	Charlie Wyrick	P O Box 399	9/29/2017	9/15/2018	
		Vinita, OK 74301			0

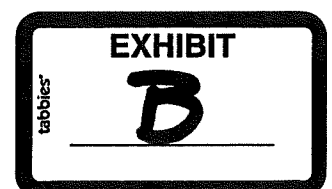


## Managerial Qualifications

**Anthony Due, General Manager** of Northeast Rural Services, Inc., retired from GRDA in 2009 with 35 years of service. Anthony has 24 years in utility management, including his last seven years with GRDA as Assistant General Manager of Operations. Anthony groomed his technical knowledge at Rogers State University and Draughon's School of Business. He furthered his expertise of electrical systems at Northeast Technology Center. He holds certifications through North American Electric Reliability Corporation (NERC) and is a certified reliability coordinator with NERC. Due continued his career with Empire District Electric Company where he served as Manager of Transmission Operations before taking his position of General Manager of Northeast Oklahoma Electric Cooperative, Inc. and its wholly-owned subsidiary Northeast Rural Services, Inc. in January 2012. Mr. Due has been active over 22 years in both the Southwest Power Pool and American Public Power Association. Since 2012, Mr. Due has exhibited a strong focus on deploying fiber optic services to the membership of Northeast Oklahoma Electric Cooperative, Inc.

**Donald R. Cashion Jr., VoIP Engineer**, joined NRS in August 2016. Prior work experience as Operations Network Manager, he managed capacities of switching, trunking, fiber and carrier system network and engineered fiber equipment layout for future growth design. As a Project Manager Mr. Cashion coordinated installation of large fiber network operations and deployment of new networks for Google, GRDA, and Homeland Security and other entities. Ensured the equipment was properly installed in areas that utilized the equipment's maximum potential. He also worked in Vendor Management, being tasked with coordinating pricing and receiving bids for projects on installation of telecommunication equipment with multiple vendors. Ensured expenses were within budget requirements and financial objectives were achieved. As Site Configurations, he established and maintained Switching, trunking database for all carrier systems and digital line carriers, Long distance along with Local routing. Databases included channel banks, battery capacitance, and monthly maintenance logs on all switching equipment, etc., which tie to carrier systems. Also included additional T-1's and monthly capacity reports. Mr. Cashion is Certified in Nortel Networks and Switching Platforms: voicemail systems, EWSD Switching Platforms, DCO Switching Platforms, Lucent, AFC, AT&T and Meta Switch. MPRS, Vision Acal, AutoCAD Applications, Word, Excel and Vizio. Trouble shooting skills in all telco aspects from switching, voicemail, Long distance TDM, SIP, SS&, various carrier systems and AC/DC power systems. Ability to communicate well with others in the telecommunications field and build partnerships with other companies to build and expand fiber networks that benefit all that is involved.

**Shane Burgess, Engineering and Outside Plant Supervisor**, plans, directs and coordinates the design, construction and staking of outside plant and engineering for infrastructure of the fiber optic network. He has designed final mile fiber option circuits for business and educational



customers, procured necessary permits, material and inventory for construction of fiber optic projects, coordinated construction activities with contractors, designed network upgrade projects for school and education clients. Mr. Burgess oversees network cabling projects for various customers, maintains, troubleshoots, reports and supports new and legacy fiber optic infrastructure for BOLT and RECtec and assists in all aspects of design and engineering. Install, troubleshoot and program switches for customer internet access. He has also directly and indirectly supervised engineering department employees in accomplishing necessary job tasks, developing and maintaining short and long range construction work plans for distribution, transmission, and substation requirements, maintain compliance with RUS specifications, regulations, accounting procedures, and work order processes, acquired easements, applied company policies related to employee responsibilities, and business practices, coordinated new construction, maintenance, and system improvements with other departments, responsible for new service extensions, line upgrades, and other distribution line projects. Mr. Burgess ensured system operation through coordination, voltage regulation, phase balancing, and equipment specification studies. He has a Bachelor's of Science in Electrical Engineering Technology.

**Ricky Hignite, Director of IT**, has over 17 years of experience in deploying and maintaining data networks. His experience includes network consulting and implementation along with upgrading existing networks. Mr. Hignite has been running the DNS, Email and Web servers for NRS for over 9 years. He attended Tulsa Technology Centers Telecommunications and Cisco Academy and he is certified on several switching products, firewalls and holds various Microsoft certifications.

**Jordan Austin, Systems Administrator**, maintains network equipment such as servers, VPN gateways, switches, routers, firewalls intrusion detection systems, IRD's, encoders and other IPTV related equipment. Support LANs, WANs, network segments, Internet, and intranet systems, along with troubleshooting problems reported by users or customers. Ensure network connectivity throughout a company's LAN/WAN infrastructure is on par with technical considerations. Maintain network and system security, Analyze and isolate issues, Monitor networks to ensure security and availability. Administer servers, desktop computers, printers, routers, switches, firewalls, phones, smartphones, software deployment, security updates and patches. As a Network Technician II, Mr. Austin maintained servers, desktops, applications, switches, and firewalls. Troubleshoot, research, purchase, and deploy hardware and software for businesses and schools.

**Connie Porter, Manager of Finance**, has 37 years of experience in the electric utility industry. She has held management positions in finance for 35 years. Her experience includes overseeing the financial decisions to implement, deploy and sell a successful satellite TV company and internet service provider company. She has experience in supervising the general ledger, payroll, accounts payable, capital credits, work orders, material inventory, cash management and asset management. She actively oversees preparation of financial reports and data to independent auditors, RUS auditor, workers compensation auditors and consultants. She has supervised Human Resources for 18 years. Connie is involved in strategic planning, power supply, telecommunications financials, and board relations. Since 2012, Ms. Porter has been heavily involved in the financial aspect of providing fiber optic

services to the membership of Northeast Oklahoma Electric Cooperative, Inc. Ms. Porter is a graduate from NRECA's Business Management Internship Program at the University of Wisconsin-Madison.

**Larry Cisneros, Manager of Engineering**, has a B.S.E.E. degree from New Mexico State University. Larry is a Registered Professional Engineer in New Mexico, Colorado, and Oklahoma. Larry is also a Certified Fiber Optic installer. Larry couples his 30 years of experience in the electric industry, of which 25 years he held in management positions, with his fiber optic experience in long term planning of smart grid system plan for the cooperative integrating existing dark fiber for communication back-haul; specifying of distribution field equipment with fiber optical boards; oversight of facilities conversion from single mode to multi-mode fiber; SCADA system to meet NESC requirements on voltage potential rise caused by using copper telephone communication lines; directed and constructed fiber optic lines into all substations as a part of the SCADA communication implementation; oversight and implementation of a cooperative system inventory focusing on fiber and telecommunication attachments related to safety clearances are just a few of Larry's responsibilities and accomplishments.

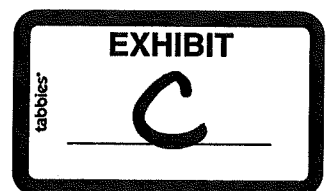
**Cindy Hefner, Manager of Public Relations**, has 21 years of experience in public relations, communications and marketing; 18 of which was at the cooperative and 3 with Public Service Company of Oklahoma. She is responsible for the planning, implementation of marketing of all cooperative products, services and member programs; the cooperative's monthly award winning magazine; and, special events for the subsidiaries. Prior work experience includes positions at American Airlines and Phillips Petroleum Company. She is a graduate from the NRECA's Business Management Internship Program at the University of Wisconsin-Madison. Ms. Hefner holds a dual Bachelor's degree in Business Administration and Business Management. Ms. Hefner has her MBA in Business and Administration with an emphasis in Human Resource Management from Oklahoma Wesleyan University.



*Financial Statements*

**NORTHEAST RURAL SERVICES, INC.**

December 31, 2016 and 2015



# **NORTHEAST RURAL SERVICES, INC.**

INDEPENDENT AUDITOR'S REPORT

and

FINANCIAL STATEMENTS

*December 31, 2016 and 2015*

# **NORTHEAST RURAL SERVICES, INC.**

*December 31, 2016 and 2015*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Northeast Rural Services, Inc.  
Vinita, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northeast Rural Services, Inc. which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

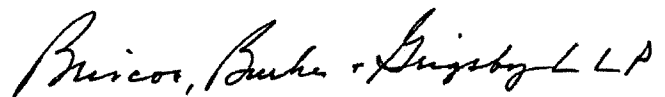
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Rural Services, Inc., as of December 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2017, on our consideration of Northeast Rural Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northeast Rural Services, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Briscoe, Burke & Gungor LLP".

Certified Public Accountants

March 17, 2017  
Tulsa, Oklahoma



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# NORTHEAST RURAL SERVICES, INC.

## Balance Sheets

*December 31, 2016 and 2015*

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Property, plant and equipment (Note 2)</b>		
Property, plant and equipment - in service	\$ 20,074,125	\$ 18,412,534
Construction work in progress	59,782,771	33,720,295
	<b>79,856,896</b>	<b>52,132,829</b>
Less accumulated depreciation	11,244,012	9,481,557
<b>Net property, plant and equipment</b>	<b>68,612,884</b>	<b>42,651,272</b>
 Investments in associated organizations (Note 4)	 42,363	 43,203
 <b>Current assets</b>		
Cash and cash equivalents	5,157,525	527,908
Accounts receivable, less allowance for doubtful accounts: 2016 - \$43,293; 2015 - \$36,160	1,764,180	1,793,635
Accounts receivable - parent	270,311	117,526
Materials and supplies	5,921,125	5,785,583
Prepaid expenses and other	200,358	391,269
Deferred taxes	-	-
<b>Total current assets</b>	<b>13,313,499</b>	<b>8,615,921</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 81,968,746</b>	 <b>\$ 51,310,396</b>

*The accompanying notes are an integral part of these statements*

# NORTHEAST RURAL SERVICES, INC.

## Balance Sheets

*December 31, 2016 and 2015*

LIABILITIES and STOCKHOLDERS' EQUITY	<u>2016</u>	<u>2015</u>
<b>Current liabilities:</b>		
Accounts payable	\$ 6,046,609	\$ 8,386,810
Due to affiliate (Note 3)	16,733,079	8,279,614
Line-of-credit - Cobank	6,000,000	-
Current portion of long-term debt (Note 5)	1,758,000	258,200
Consumer deposits	19,178	19,179
<b>Total current liabilities</b>	<u><b>30,556,866</b></u>	<u><b>16,943,803</b></u>
<b>Long-term liabilities:</b>		
Long-term debt less current portion (Note 5)	35,986,347	17,407,291
Deferred revenue (Note 6)	2,897,826	1,606,661
Deferred income taxes (Note 7)	561,392	1,678,670
<b>Total long-term liabilities</b>	<u><b>39,445,565</b></u>	<u><b>20,692,622</b></u>
<b>Total liabilities</b>	<u><b>70,002,431</b></u>	<u><b>37,636,425</b></u>
<b>Stockholders' Equity</b>		
Capital stock, \$1 par value; 500 shares authorized, and outstanding	500	500
Retained earnings	11,965,815	13,673,471
<b>Total stockholders' equity</b>	<u><b>11,966,315</b></u>	<u><b>13,673,971</b></u>
<b>TOTAL LIABILITIES and STOCKHOLDERS EQUITY</b>	<u><u><b>\$ 81,968,746</b></u></u>	<u><u><b>\$ 51,310,396</b></u></u>

*The accompanying notes are an integral part of these statements*

# NORTHEAST RURAL SERVICES, INC.

## Statements of Operations

*For the Years Ended December 31, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Right of way	\$ 9,324,466	\$ 9,811,138
Fiber and internet	5,801,114	6,477,121
Bolt	4,194,252	688,750
Other	51,084	55,728
	<u>19,370,916</u>	<u>17,032,737</u>
<b>Total revenue</b>		
<b>Cost of sales</b>		
Right of way	466,478	505,874
Fiber and internet	822,395	242,373
Bolt	69,100	23,757
	<u>1,357,973</u>	<u>772,004</u>
<b>Total cost of sales</b>		
<b>Gross Profit</b>	<u>18,012,943</u>	<u>16,260,733</u>
<b>Operating expenses:</b>		
Distribution expense - operations	9,571,728	8,666,343
Distribution expense - maintenance	470,981	334,820
Administrative and general	7,541,388	5,367,646
Depreciation	2,276,586	2,049,706
Interest	989,801	360,909
	<u>20,850,484</u>	<u>16,779,424</u>
<b>Total operating expenses</b>		
<b>Net operating income (loss)</b>	<u>(2,837,541)</u>	<u>(518,691)</u>
<b>Nonoperating income (losses)</b>		
Interest and dividend income	1,500	20,660
Gain (Loss) on sale of assets	10,957	30,520
	<u>\$ 12,457</u>	<u>\$ 51,180</u>
<b>Total nonoperating income</b>		

*The accompanying notes are an integral part of these statements*

# NORTHEAST RURAL SERVICES, INC.

## Statements of Operations

*For the Years Ended December 31, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
Income (loss) before income taxes	<u>\$ (2,825,084)</u>	<u>\$ (467,511)</u>
Provision (benefit) for income taxes (Note 7)	<u>(1,117,428)</u>	<u>(451,323)</u>
Net income (loss)	<u>(1,707,656)</u>	<u>(16,188)</u>
Retained earnings - beginning of year	<u>13,673,471</u>	<u>13,689,659</u>
Retained earnings - end of year	<u><u>\$ 11,965,815</u></u>	<u><u>\$ 13,673,471</u></u>

*The accompanying notes are an integral part of these statements*



# NORTHEAST RURAL SERVICES, INC.

## Statements of Cash Flows

*For the Years Ended December 31, 2016 and 2015*

*Increase (Decrease) in Cash and Cash Equivalents*

	<u>2016</u>	<u>2015</u>
<b>Operating activities:</b>		
Net income (loss)	\$ (1,707,656)	\$ (16,188)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	2,276,586	2,049,706
(Gain) Loss on sale of assets	(10,957)	(30,520)
Deferred income taxes	(1,117,278)	(451,356)
<b>Changes in:</b>		
Investment in associated organizations	840	(1,000)
Accounts receivable	(123,330)	(254,240)
Materials and supplies	(135,542)	(3,311,012)
Prepaid income taxes	190,911	(276,649)
Accounts payable	(2,340,201)	7,008,795
Deferred credits	1,291,165	287,819
<b>Net cash provided by operating activities</b>	<u><b>(1,675,462)</b></u>	<u><b>5,005,355</b></u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of assets	82,388	61,466
Extension and replacement of plant	(28,309,629)	(29,268,441)
<b>Net cash used for investing activities</b>	<u><b>(28,227,241)</b></u>	<u><b>(29,206,975)</b></u>

*The accompanying notes are an integral part of these statements*

# NORTHEAST RURAL SERVICES, INC.

## Statements of Cash Flows

*For the Years Ended December 31, 2016 and 2015*

*Increase (Decrease) in Cash and Cash Equivalents*

	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities:</b>		
Change in due to affiliate	8,453,465	7,260,593
Advances on long-term debt	20,586,172	14,924,314
Payments on long-term debt	(507,317)	-
Advances from line of credit	<u>6,000,000</u>	<u>-</u>
<b>Net cash provided by investing activities</b>	<u><b>34,532,320</b></u>	<u><b>22,184,907</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,629,617</b>	<b>(2,016,713)</b>
Cash and cash equivalents at beginning of year	<u>527,908</u>	<u>2,544,621</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>\$ 5,157,525</b></u>	<u><b>\$ 527,908</b></u>
 <b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 989,801	\$ 360,909
Income taxes	2,269	287,255

### Disclosure of accounting policy:

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*The accompanying notes are an integral part of these statements*

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

*December 31, 2016 and 2015*

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – Northeast Rural Services, Inc. (the Company) was incorporated in 1989 as an Oklahoma Corporation. The Company operates on a for-profit basis and is subject to taxation as a C Corporation. The Company is a wholly owned subsidiary of Northeast Oklahoma Electric Cooperative, Inc., which is made up of three major divisions. NRS Right-of-Way division's principle purpose is to provide right-of-way maintenance and clearing services in Oklahoma, Kansas, Arkansas, Missouri and Texas. The Company also has a RECTec division that provides computer, Internet, networking, fiber optic and radio communications services to customers, primarily of which are schools and municipalities. In 2013, the Company added Bolt Fiber Optic Services; the fiber-to-the-home division supplies an end-to-end triple-play solution for delivering up to 1 gigabit-per-second (Gbps) broadband connectivity as well as voice over third-party VoIP service and television services to communities in rural northeastern Oklahoma.

**Fixed Assets** – Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of related assets.

Expenditures which significantly increase values or extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current earnings.

**Inventory** – The inventory is priced at the lower of cost (determined on a moving average basis) or market.

**Advertising Expense** – The Company expenses advertising costs as they are incurred. Advertising expense was \$156,339 and \$195,843 for the years ended December 31, 2016 and 2015, respectively.

**Accounting Estimates** – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016 and 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Properties and Equipment** – The Company records properties and equipment at cost and primarily uses accelerated depreciation methods for income tax purposes. The Company has adopted the straight-line method for financial statement purposes. Maintenance repairs and expenditures for renewals and betterments not determined to extend the useful lives or to increase materially the productivity of the asset are expensed as incurred. Other renewals and betterments are capitalized. When items of property or equipment are sold or retired, the cost and related allowances for depreciation are eliminated from the accounts. The gain or loss on such disposition is credited or charged to income.

The lives used in computing depreciation are summarized as follows:

	<u>Years of Depreciable Life</u>
Machinery and equipment	5 - 20
Automobiles	5 - 9
Computer equipment	5
Leasehold improvements	39
Furniture and fixtures	5 - 7

Depreciation amounted to \$2,276,586 and \$2,049,706 for the years ended 2016 and 2015, respectively.

**Fair Value of Financial Instruments** - Financial instruments include cash and cash equivalents and long-term debt. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations.

The carrying value of cash and cash equivalents approximates fair value because of the short maturity of those instruments. It is not practicable to estimate the fair value of long-term debt; additional information pertinent to its value is provided in the footnote for long-term debt.

### **Significant Group Concentrations of Credit Risk**

The Company maintains deposits in a financial institution that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company believes that there is no significant risk with respect to these deposits.

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016 and 2015

### 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
Property, plant and equipment - at cost	\$ 20,074,125	\$ 18,412,534
Construction work in process (BOLT)	59,782,771	33,720,295
	<b>79,856,896</b>	<b>52,132,829</b>
Less: accumulated depreciation	(11,244,012)	(9,481,557)
<b>Total property, plant and equipment</b>	<b>\$ 68,612,884</b>	<b>\$ 42,651,272</b>

### 3. RELATED PARTY TRANSACTIONS

The Company is a member (and, therefore, part-owner) of the National Rural Utilities Cooperative Finance Corporation (CFC). Investments in associated enterprises include \$34,812 of investments in CFC for 2016 and 2015. Revenue is recognized from the investment when the Company is notified of their patronage allocation. The investment account is increased accordingly.

In 2016 and 2015 the Company incurred charges of \$1,356,372 and \$566,468, respectively, to the sole member of the Company, for ROW Clearing & Herbicide, materials and supplies, and labor expenses. Included in accounts receivable at December 31, 2016 and 2015 was \$270,311 and \$117,526, respectively, for amounts due from the related party.

As of December 31, 2016 and 2015, the due to affiliate amounts of \$16,733,079 and \$8,279,614, respectively, are for amounts due the related party. The cost of employees leased by the Company from the sole member of the Company was \$13,838,516 in 2016 and \$ 6,363,521 in 2015. The sole member of the Company used the IRS APPLICABLE FEDERAL RATE (AFR) to compute interest on the outstanding balance for leased employees. Interest charged for 2016 and 2015 was \$181,480.13 and \$76,418.00, respectively.



# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016 and 2015

### 3. RELATED PARTY TRANSACTIONS (continued)

**IRU** - Company and the sole member of the Company entered into that certain Agreement for Indefeasible Right of Use of Fiber Optic Cable and Maintenance effective November 22, 2013, and ratified March 31, 2016 ("Agreement"). Any capitalized term(s) used but not otherwise defined in this footnote shall have the meaning ascribed to said term(s) in the Agreement. The Agreement provides for the sole member of the Company's use of two (2) Dark Fibers contained within the Company's Cable spanning 1,000 route miles. The sole member of the Company has the right to select the specific IRU Fibers in accordance with Exhibit "A" of the Agreement. The sole member of the Company shall pay \$1,000.00 per mile per each IRU Fiber for a total price of \$2,000,000.00, plus an annual maintenance charge of \$55.00 per mile per IRU Fiber. The term of the sole member of the Company's IRU shall be 25 years from the Effective Date with the option to renew the sole member of the Company's IRU for 2 additional 10 year terms. For purposes of the Agreement term, the Effective Date is the date the IRU commences following completion of testing and acceptance procedures described in Articles 9 and 10 of the Agreement.

The Agreement provides for the sole member of the Company's payment to the Company for the Dark (IRU) Fibers as follows (anticipated dates):

<u>Date</u>	<u>Payment</u>	<u>Miles of line</u>
Nov 1, 2015	\$ 440,000	220 route miles
Nov 1, 2016	\$ 760,000	380 route miles
Nov 1, 2016	\$ 800,000	400 route miles
<b>Total</b>	<b>\$2,000,000</b>	<b>1,000 route miles</b>

The Agreement provides for the sole member of the Company's payment to the Company for maintenance at the rate of \$55.00 per each Dark (IRU) Fiber mile as follows (anticipated dates):

<u>Date</u>	<u>Payment</u>
November 1, 2015	\$ 24,200
November 1, 2016	\$ 66,000
November 1, 2016	\$110,000
November 1, 2017 and for the remainder of the term and any renewal terms.	\$110,000/year

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016 and 2015

### 4. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
NRUCFC	\$ 34,812	\$ 34,812
CoBank	1,000	1,000
National Rural Telecommunications Cooperative (NRTC)	<u>6,551</u>	<u>7,391</u>
<b>Total investments in associated organizations</b>	<b><u>\$ 42,363</u></b>	<b><u>\$ 43,203</u></b>

### 5. LONG-TERM DEBT

Long-term debt is represented by mortgage notes payable to the United States of America (FFB). All assets are pledged as security for this debt. Long-term debt as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
FFB - note payable through 2034, only requiring monthly payments of approximatley \$227,000 including fixed interest from 1.67% to 3.12%.	<u>\$ 37,744,347</u>	<u>\$ 17,665,491</u>
<b>Total debt</b>	<b>37,744,347</b>	<b>17,665,491</b>
Less: current maturities of long-term debt	<u>(1,758,000)</u>	<u>(258,200)</u>
<b>Total long-term debt</b>	<b><u>\$ 35,986,347</u></b>	<b><u>\$ 17,407,291</u></b>

As of December 31, 2016, the annual maturities of long-term debt are as follows:

2017	\$ 1,758,000
2018	\$ 1,800,000
2019	\$ 1,840,000
2020	\$ 1,885,000
2021	\$ 1,930,000

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016 and 2015

### 5. LONG-TERM DEBT (continued)

Additionally, the Company has a \$10,000,000 line of credit with CoBank, of which \$6,000,000 has been advanced as of December 31, 2016. Monthly interest payments are required on the balance. The interest rate as of December 31, 2016 was 4.27%.

### 6. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2016 and 2015:

	2016	2015
Deferred revenue - RecTec	\$ 471,632	\$ 758,456
Dark fiber service agreement	2,000,000	440,000
Consumer install prepayments and advanced billing - Bolt	426,194	408,205
<b>Total deferred revenue</b>	<b>\$ 2,897,826</b>	<b>\$ 1,606,661</b>

### 7. INCOME TAXES

The provision (benefit) for income taxes includes these components at December 31, 2016 and 2015:

	2016	2015
Current income taxes	\$ -	\$ -
Deferred income taxes	(1,117,278)	(451,356)
	<b>\$ (1,117,278)</b>	<b>\$ (451,356)</b>

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016 and 2015

### 7. INCOME TAXES (continued)

The tax effects of temporary differences related to deferred taxes shown on the balance sheet as of December 31, 2016 and 2015 were:

	2016	2015
<b>Deferred tax assets:</b>		
Allowance for bad debts	\$ 16,018	\$ 13,379
Deferred revenue	142,591	243,854
Net operating loss	950,518	276,425
Other carryforwards	79,067	3,755
<b>Deferred tax liabilities:</b>		
Accumulated depreciation and amortization	(1,749,586)	(2,216,083)
	<u><u>\$ (561,392)</u></u>	<u><u>\$ (1,678,670)</u></u>

Net operating losses of approximately \$2,526,888 expire in 2026.

Management has considered whether the Company has any uncertain tax positions, embedded or otherwise, that would materially impact the financial statements. Management believes no such material uncertainties exist, therefore, no provision is provided.

### 8. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through March 17, 2017, which is the date these statements were available to be issued.

Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Board of Directors  
Northeast Rural Services, Inc.  
Hulbert, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Rural Services, Inc., as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise Northeast Rural Services, Inc.'s basic financial statements, and have issued our report thereon dated March 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Rural Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Northeast Rural Services, Inc.

March 17, 2017

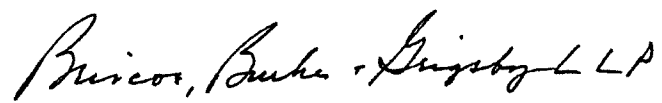
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Rural Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Certified Public Accountants

March 17, 2017  
Tulsa, Oklahoma

## Independent Auditor's Report

Board of Directors  
Northeast Rural Services, Inc.  
Collinsville, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Rural Services, Inc., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, retained deficit, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2017. In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2017, on our consideration of Northeast Rural Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Northeast Rural Services, Inc. failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014 insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Northeast Rural Services, Inc.'s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Northeast Rural Services, Inc.'s accounting and records to indicate that Northeast Rural Services, Inc. did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Northeast Rural Services, Inc.

March 17, 2017

Page 2

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely financial and operating reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

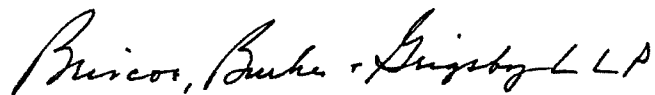
Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the Board of Directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants

March 17, 2017  
Tulsa, Oklahoma



*Financial Statements*

**NORTHEAST RURAL SERVICES, INC.**

December 31, 2017 and 2016

**NORTHEAST RURAL SERVICES, INC.**

INDEPENDENT AUDITOR'S REPORT

and

FINANCIAL STATEMENTS

*December 31, 2017 and 2016*

# **NORTHEAST RURAL SERVICES, INC.**

*December 31, 2017 and 2016*

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**Briscoe, Burke & Grigsby LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Northeast Rural Services, Inc.  
Vinita, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying financial statements of Northeast Rural Services, Inc. which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

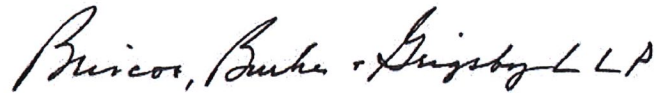
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Rural Services, Inc., as of December 31, 2017 and 2016, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2018, on our consideration of Northeast Rural Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northeast Rural Services, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Briscoe, Burke & Grigsby LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

March 22, 2018  
Tulsa, Oklahoma

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# NORTHEAST RURAL SERVICES, INC.

## Balance Sheets

*December 31, 2017 and 2016*

ASSETS	<u>2017</u>	<u>2016</u>
<b>Property, plant and equipment (Note 2)</b>		
Property, plant and equipment - in service	\$ 45,979,308	\$ 20,074,125
Construction work in progress	<u>70,745,322</u>	<u>59,782,771</u>
	<b>116,724,630</b>	<b>79,856,896</b>
Less: accumulated depreciation	<u>15,521,563</u>	<u>11,244,012</u>
<b>Net property, plant and equipment</b>	<u><b>101,203,067</b></u>	<u><b>68,612,884</b></u>
<b>Other assets:</b>		
Investments in associated organizations (Note 4)	47,451	42,363
Deferred taxes	<u>950,825</u>	<u>-</u>
<b>Total other assets</b>	<u><b>998,276</b></u>	<u><b>42,363</b></u>
<b>Current assets</b>		
Cash and cash equivalents	6,632,596	5,157,525
Accounts receivable, less allowance for doubtful accounts: 2017 - \$83,590; 2016 - \$43,293	1,865,204	1,764,180
Accounts receivable - affiliate	206,232	270,311
Materials and supplies	3,588,085	5,921,125
Prepaid expenses and other	<u>244,719</u>	<u>200,358</u>
<b>Total current assets</b>	<u><b>12,536,836</b></u>	<u><b>13,313,499</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>\$ 114,738,179</b></u></u>	<u><u><b>\$ 81,968,746</b></u></u>

*The accompanying notes are an integral part of these statements.*

# NORTHEAST RURAL SERVICES, INC.

## Balance Sheets

*December 31, 2017 and 2016*

LIABILITIES and STOCKHOLDERS' EQUITY	<u>2017</u>	<u>2016</u>
<b>Current liabilities:</b>		
Accounts payable	\$ 5,129,402	\$ 6,046,609
Due to affiliate (Note 3)	9,373,275	8,950,725
Line-of-credit - Cobank	3,000,000	6,000,000
Current portion of long-term debt (Note 5)	3,451,000	1,758,000
Consumer deposits	19,178	19,178
<b>Total current liabilities</b>	<u><b>20,972,855</b></u>	<u><b>22,774,512</b></u>
<b>Long-term liabilities:</b>		
Long-term debt less current portion (Note 5)	66,367,885	35,986,347
Deferred revenue (Note 6)	4,227,184	2,897,826
Deferred income taxes (Note 7)	-	561,392
<b>Total long-term liabilities</b>	<u><b>70,595,069</b></u>	<u><b>39,445,565</b></u>
<b>Total liabilities</b>	<u><b>91,567,924</b></u>	<u><b>62,220,077</b></u>
<b>Stockholders' Equity</b>		
Capital stock, \$1 par value; 500 shares authorized, and outstanding	500	500
Contributed capital from affiliate	14,447,378	7,782,354
Retained earnings	8,722,377	11,965,815
<b>Total stockholders' equity</b>	<u><b>23,170,255</b></u>	<u><b>19,748,669</b></u>
<b>TOTAL LIABILITIES and STOCKHOLDERS EQUITY</b>	<u><u><b>\$ 114,738,179</b></u></u>	<u><u><b>\$ 81,968,746</b></u></u>

*The accompanying notes are an integral part of these statements.*



# NORTHEAST RURAL SERVICES, INC.

## Statements of Operations

*For the Years Ended December 31, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Right of way	\$ 8,075,219	\$ 9,324,466
Fiber and internet	4,855,079	5,801,114
Bolt	7,950,094	4,194,252
Other	-	51,084
	<u>20,880,392</u>	<u>19,370,916</u>
<b>Total revenue</b>		
	<u>20,880,392</u>	<u>19,370,916</u>
<b>Cost of sales</b>		
Right of way	361,569	466,478
Fiber and internet	406,400	822,395
Bolt	615,052	69,100
	<u>1,383,021</u>	<u>1,357,973</u>
<b>Total cost of sales</b>		
	<u>1,383,021</u>	<u>1,357,973</u>
<b>Gross Profit</b>	<u>19,497,371</u>	<u>18,012,943</u>
<b>Operating expenses:</b>		
Distribution expense - operations	10,118,227	9,571,728
Distribution expense - maintenance	391,484	470,981
Administrative and general	7,545,747	7,512,140
Depreciation	4,386,062	2,276,586
Interest	1,946,230	1,019,050
	<u>24,387,750</u>	<u>20,850,485</u>
<b>Total operating expenses</b>		
	<u>24,387,750</u>	<u>20,850,485</u>
<b>Net operating income (loss)</b>	<u>(4,890,379)</u>	<u>(2,837,542)</u>
<b>Nonoperating income (losses)</b>		
Capital credits	42,369	-
Interest and dividend income	1,467	1,501
Gain (Loss) on sale of assets	90,888	10,957
	<u>134,724</u>	<u>12,458</u>
<b>Total nonoperating income</b>	<u>\$ 134,724</u>	<u>\$ 12,458</u>

*The accompanying notes are an integral part of these statements.*

# NORTHEAST RURAL SERVICES, INC.

## Statements of Operations

*For the Years Ended December 31, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
Income (loss) before income taxes	<u>\$ (4,755,655)</u>	<u>\$ (2,825,084)</u>
Provision (benefit) for income taxes (Note 7)	<u>(1,512,217)</u>	<u>(1,117,428)</u>
Net income (loss)	<u>(3,243,438)</u>	<u>(1,707,656)</u>
Retained earnings - beginning of year	<u>11,965,815</u>	<u>13,673,471</u>
Retained earnings - end of year	<u><u>\$ 8,722,377</u></u>	<u><u>\$ 11,965,815</u></u>

*The accompanying notes are an integral part of these statements.*

# NORTHEAST RURAL SERVICES, INC.

## Statements of Cash Flows

*For the Years Ended December 31, 2017 and 2016*

*Increase (Decrease) in Cash and Cash Equivalents*

	<u>2017</u>	<u>2016</u>
<b>Operating activities:</b>		
Net income (loss)	\$ (3,243,438)	\$ (1,707,656)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	4,386,062	2,276,586
Investment allocations from associated organizations	(42,369)	
(Gain) Loss on sale of assets	(90,888)	(10,957)
Deferred income taxes	(1,512,217)	(1,117,278)
<b>Changes in:</b>		
Investment in associated organizations	37,281	840
Accounts receivable	(36,945)	(123,330)
Materials and supplies	2,333,040	(135,542)
Prepaid income taxes	(44,361)	190,911
Accounts payable	(917,207)	(2,340,201)
Deferred credits	1,329,358	1,291,165
<b>Net cash provided by (used for) operating activities</b>	<u><b>2,198,316</b></u>	<u><b>(1,675,462)</b></u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of assets	13,463	82,388
Extension and replacement of plant	(36,898,820)	(28,309,629)
<b>Net cash used for investing activities</b>	<u><b>(36,885,357)</b></u>	<u><b>(28,227,241)</b></u>

*The accompanying notes are an integral part of these statements.*

# NORTHEAST RURAL SERVICES, INC.

## Statements of Cash Flows

*For the Years Ended December 31, 2017 and 2016*

*Increase (Decrease) in Cash and Cash Equivalents*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from financing activities:</b>		
Change in due to affiliate	7,087,574	8,453,465
Advances on long-term debt	34,846,326	20,586,172
Payments on long-term debt	(2,771,788)	(507,317)
Advances from line of credit	<u>(3,000,000)</u>	<u>6,000,000</u>
<b>Net cash provided by financing activities</b>	<u><b>36,162,112</b></u>	<u><b>34,532,320</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,475,071</b>	<b>4,629,617</b>
Cash and cash equivalents at beginning of year	<u>5,157,525</u>	<u>527,908</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>\$ 6,632,596</b></u>	<u><b>\$ 5,157,525</b></u>
 <b>Non-cash financing activity</b>		
Contributed capital from affiliate	\$ 14,447,378	\$ 7,782,354
 <b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 1,810,288	\$ 989,801
Income taxes	-	2,269

### **Disclosure of accounting policy:**

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*The accompanying notes are an integral part of these statements.*

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

*December 31, 2017 and 2016*

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – Northeast Rural Services, Inc. (the Company) was incorporated in 1989 as an Oklahoma Corporation. The Company operates on a for-profit basis and is subject to taxation as a C Corporation. The Company is a wholly owned subsidiary of Northeast Oklahoma Electric Cooperative, Inc., which is made up of three major divisions. NRS Right-of-Way division's principle purpose is to provide right-of-way maintenance and clearing services in Oklahoma, Kansas, Arkansas, Missouri and Texas. The Company also has a RECtec division that provides computer, Internet, networking, fiber optic and radio communications services to customers, primarily of which are schools and municipalities. In 2013, the Company added Bolt Fiber Optic Services; the fiber-to-the-home division supplies an end-to-end triple-play solution for delivering up to 1 gigabit-per-second (Gbps) broadband connectivity as well as voice over third-party VoIP service and television services to communities in rural northeastern Oklahoma.

**Fixed Assets** – Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of related assets.

Expenditures which significantly increase values or extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current earnings.

**Inventory** – The inventory is priced at the lower of cost (determined on a moving average basis) or market.

**Advertising Expense** – The Company expenses advertising costs as they are incurred. Advertising expense was \$98,733 and \$156,339 for the years ended December 31, 2017 and 2016, respectively.

**Accounting Estimates** – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2017 and 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Properties and Equipment** – The Company records properties and equipment at cost and primarily uses accelerated depreciation methods for income tax purposes. The Company has adopted the straight-line method for financial statement purposes. Maintenance repairs and expenditures for renewals and betterments not determined to extend the useful lives or to increase materially the productivity of the asset are expensed as incurred. Other renewals and betterments are capitalized. When items of property or equipment are sold or retired, the cost and related allowances for depreciation are eliminated from the accounts. The gain or loss on such disposition is credited or charged to income.

The lives used in computing depreciation are summarized as follows:

	<u>Years of Depreciable Life</u>
Machinery and equipment	5 - 20
Automobiles	5 - 9
Computer equipment	5
Leasehold improvements	39
Furniture and fixtures	5 - 7

Depreciation amounted to \$4,386,062 and \$2,276,586 for the years ended 2017 and 2016, respectively.

**Fair Value of Financial Instruments** - Financial instruments include cash and cash equivalents and long-term debt. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations.

The carrying value of cash and cash equivalents approximates fair value because of the short maturity of those instruments. It is not practicable to estimate the fair value of long-term debt; additional information pertinent to its value is provided in the footnote for long-term debt.

### **Significant Group Concentrations of Credit Risk**

The Company maintains deposits in a financial institution that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company believes that there is no significant risk with respect to these deposits.

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2017 and 2016

### 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2017 and 2016 consisted of the following:

	2017	2016
Property, plant and equipment - at cost	\$ 45,979,308	\$ 20,074,125
Construction work in process (BOLT)	70,745,322	59,782,771
	<b>116,724,630</b>	<b>79,856,896</b>
Less: accumulated depreciation	(15,521,563)	(11,244,012)
<b>Total property, plant and equipment</b>	<b><u>\$ 101,203,067</u></b>	<b><u>\$ 68,612,884</u></b>

### 3. RELATED PARTY TRANSACTIONS

The Company is a member (and, therefore, part-owner) of the National Rural Utilities Cooperative Finance Corporation (CFC). Investments in associated enterprises include \$34,812 of investments in CFC for 2017 and 2016. Revenue is recognized from the investment when the Company is notified of their patronage allocation. The investment account is increased accordingly.

In 2017 and 2016, the Company sold right-of-way clearing services and communication services to the sole owner of the Company. Total payments for services sold were \$1,286,900 and \$1,356,372 during 2017 and 2016, respectively and include \$206,232 and \$270,311 recorded as accounts receivable as of December 31, 2017 and 2016, respectively.

As of December 31, 2017, the Company owed the sole owner of the Company \$7,782,354 for 2015 and \$6,665,024 for 2016 for leased employees, expenses and interest. Per RUS Bulletin 1767B-1, the total amounts due for 2015 and 2016 - \$14,447,378 and \$7,782,354 were reclassified from a payable account to an Equity account on December 31, 2017 and 2016, respectively. This reclassification had no effect on net income for 2017 or 2016.

As of December 31, 2017 and 2016, the due to affiliate amounts of \$9,373,275 and \$16,733,079, respectively, are for amounts due the related party. The sole owner of the Company used the IRS Mid-Term Monthly APPLICABLE FEDERAL RATE (AFR) to compute interest on the total outstanding balance. Interest charged for 2017 and 2016 was \$396,006 and \$181,480, respectively.

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2017 and 2016

### 3. RELATED PARTY TRANSACTIONS (continued)

**IRU** – The Company and the sole owner of the Company entered into that certain Agreement for Indefeasible Right of Use of Fiber Optic Cable and Maintenance effective November 22, 2013, and ratified March 31, 2016 (“Agreement”). Any capitalized term(s) used but not otherwise defined in this footnote shall have the meaning ascribed to said term(s) in the Agreement. The Agreement provides for the sole owner of the Company’s use of two (2) Dark Fibers contained within the Company’s Cable spanning 1,000 route miles. The sole owner of the Company has the right to select the specific IRU Fibers in accordance with Exhibit “A” of the Agreement. The sole owner of the Company shall pay \$1,000.00 per mile per each IRU Fiber for a total price of \$2,000,000.00, plus an annual maintenance charge of \$55.00 per mile per IRU Fiber. The term of the sole owner of the Company’s IRU shall be 25 years from the Effective Date with the option to renew the sole owner of the Company’s IRU for 2 additional 10 year terms. For purposes of the Agreement term, the Effective Date is the date the IRU commences following completion of testing and acceptance procedures described in Articles 9 and 10 of the Agreement.

The Agreement provides for the sole owner of the Company’s payment to the Company for the Dark (IRU) Fibers as follows (anticipated dates):

<u>Date</u>	<u>Payment</u>	<u>Miles of line</u>
Nov 1, 2015	\$ 440,000	220 route miles
Nov 1, 2016	\$ 760,000	380 route miles
Nov 1, 2016	\$ 800,000	400 route miles
<b>Total</b>	<b>\$2,000,000</b>	<b>1,000 route miles</b>

The Agreement provides for the sole owner of the Company’s payment to the Company for maintenance at the rate of \$55.00 per each Dark (IRU) Fiber mile as follows (anticipated dates):

<u>Date</u>	<u>Payment</u>
November 1, 2015	\$ 24,200
November 1, 2016	\$ 66,000
November 1, 2016	\$110,000
November 1, 2017 and for the remainder of the term and any renewal terms.	\$110,000/year

The sole owner of the Company did not make a payment in 2014 due to the Company’s progress relative to fiber build-out and installation. The sole owner of the Company’s initial payment to the Company of \$440,000, plus \$24,200 for maintenance, was made in August of 2015. The sole owner of the Company paid the second and third installments of the IRU and maintenance in 2016.



# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2017 and 2016

### 3. RELATED PARTY TRANSACTIONS (continued)

On July 17, 2017 an addendum to the IRU Agreement was executed increasing the number of miles from 1,000 to 1,750 total miles. The sole owner of the Company paid the Company \$1,500,000 in 2017 for the additional 750 miles of two (2) Dark Fibers. In the addendum, the Company waived any additional maintenance fees associated with the additional 750 miles. The sole owner of the Company paid \$110,000 for maintenance on the two (2) Dark Fibers in 2017 and will continue to pay that amount annually for the remainder of the term and any renewal terms.

The \$3,500,000 will be treated as deferred revenue until the completion of the project and at which time the two dark fibers are identified.

### 4. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations as of December 31, 2017 and 2016 consisted of the following:

	2017	2016
NRUCFC	\$ 34,812	\$ 34,812
CoBank	12,639	1,000
National Rural Telecommunications Cooperative (NRTC)	-	6,551
<b>Total investments in associated organizations</b>	<b>\$ 47,451</b>	<b>\$ 42,363</b>

### 5. LONG-TERM DEBT

Long-term debt is represented by mortgage notes payable to the United States of America (FFB). All assets are pledged as security for this debt. Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	2017	2016
FFB - note payable through 2034, requiring monthly payments of approximately \$428,000 including fixed interest from 1.67% to 3.12%.	\$ 69,818,885	\$ 37,744,347
<b>Total debt</b>	<b>69,818,885</b>	<b>37,744,347</b>
Less: current maturities of long-term debt	(3,451,000)	(1,758,000)
<b>Total long-term debt</b>	<b>\$ 66,367,885</b>	<b>\$ 35,986,347</b>

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

*December 31, 2017 and 2016*

### 5. LONG-TERM DEBT (continued)

As of December 31, 2017, the annual maturities of long-term debt are as follows:

2018	\$ 3,451,000
2019	\$ 3,537,000
2020	\$ 3,625,000
2021	\$ 3,716,000
2022	\$ 3,808,000

Additionally, the Company has a \$10,000,000 line of credit with CoBank, of which \$3,000,000 has been advanced as of December 31, 2017. Monthly interest payments are required on the balance. The interest rate as of December 31, 2017 was 4.27%.

### 6. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2017 and 2016:

	2017	2016
Deferred revenue - RecTec	\$ 164,942	\$ 471,632
Dark fiber service agreement	3,500,000	2,000,000
Consumer install prepayments and advanced billing - Bolt	562,242	426,194
<b>Total deferred revenue</b>	<b>\$ 4,227,184</b>	<b>\$ 2,897,826</b>

### 7. INCOME TAXES

The provision (benefit) for income taxes includes these components at December 31, 2017 and 2016:

	2017	2016
Current income taxes	\$ -	\$ -
Deferred income taxes	(1,512,217)	(1,117,278)
	<b>\$ (1,512,217)</b>	<b>\$ (1,117,278)</b>

# NORTHEAST RURAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2017 and 2016

### 7. INCOME TAXES (continued)

The tax effects of temporary differences related to deferred taxes shown on the balance sheet as of December 31, 2017 and 2016 were:

	2017	2016
<b>Deferred tax assets:</b>		
Allowance for bad debts	\$ 21,733	\$ 16,018
Deferred revenue	-	142,591
Net operating loss	5,110,333	950,518
Other carryforwards	6,222	79,067
<b>Deferred tax liabilities:</b>		
Prepays	\$ (60,707)	\$ (70,767)
Accumulated depreciation and amortization	(4,126,756)	(1,678,819)
	<u><u>\$ 950,825</u></u>	<u><u>\$ (561,392)</u></u>

Net operating losses of approximately \$19,120,000 expire in varying amounts from 2026-2028.

Management has considered whether the Company has any uncertain tax positions, embedded or otherwise, that would materially impact the financial statements. Management believes no such material uncertainties exist, therefore, no provision is provided.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the Tax Act) which made significant changes to federal income tax law including reducing the statutory corporate income tax rate to 21 percent from graduated rates up to 35 percent. The Corporation has accounted for the effects of the Tax Act using reasonable estimates based on currently available information and its interpretation thereof. This accounting may change due to, among other things, changes in interpretations the Corporation has made and the issuance of new tax or accounting guidance. GAAP requires that the effects of a change in tax rate from revaluing deferred tax assets and deferred tax liabilities be recognized upon enactment. This revaluation resulted in an approximately \$171,000 decrease to the Company's deferred tax liability for 2017.

### 8. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through March 22, 2018, which is the date these statements were available to be issued.

Briscoe, Burke & Grigsby LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Board of Directors  
Northeast Rural Services, Inc.  
Vinita, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Rural Services, Inc., as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise Northeast Rural Services, Inc.'s basic financial statements, and have issued our report thereon dated March 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Rural Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Northeast Rural Services, Inc.

March 22, 2018

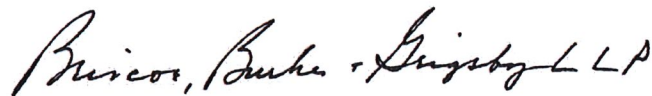
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Rural Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

March 22, 2018  
Tulsa, Oklahoma



**Briscoe, Burke & Grigsby LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors  
Northeast Rural Services, Inc.  
Vinita, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Rural Services, Inc., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, retained deficit, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2018. In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2018, on our consideration of Northeast Rural Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Northeast Rural Services, Inc. failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014 insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Northeast Rural Services, Inc.'s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Northeast Rural Services, Inc.'s accounting and records to indicate that Northeast Rural Services, Inc. did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Northeast Rural Services, Inc.

March 22, 2018

Page 2

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely financial and operating reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the Board of Directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Briscoe, Burke & Grigsby LLP*

Certified Public Accountants

March 22, 2018  
Tulsa, Oklahoma

**Briscoe, Burke & Grigsby LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

March 22, 2018

To the Board of Directors  
Northeast Rural Services, Inc.

We have audited the financial statements of Northeast Rural Services, Inc. as of and for the year ended December 31, 2017, and have issued our report thereon dated March 22, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 10, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Northeast Rural Services, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence.

As a safeguard to our independence being impaired due to our firm preparing the financial statements and footnotes, an auditor who did not work on the audit will review the financial statements.



## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Northeast Rural Services, Inc. is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

### *Financial Statement Disclosures*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statements.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The attached schedule summarizes the corrected misstatements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Northeast Rural Services, Inc.'s financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated March 22, 2018.

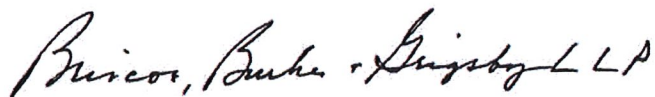
### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Northeast Rural Services, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Northeast Rural Services, Inc.'s auditors.

This report is intended solely for the information and use of the Board of Directors of Northeast Rural Services, Inc. and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

March 22, 2018  
Tulsa, Oklahoma

Client: 6555 - Northeast Rural Services  
Engagement: 2017 Audit - Northeast Rural Services  
Period Ending: 12/31/2017  
Trial Balance: 103 TB - NRS Trial Balance - 2  
Workpaper: Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 101</b>				
<To record CoBank allocation for 2017.>				
31350.3	COBANK PATRONAGE CAPITAL		46,557.38	
35200.1	COBANK PATRONAGE CAPITAL REVENUE			46,557.38
<b>Total</b>			<b>46,557.38</b>	<b>46,557.38</b>
<b>Adjusting Journal Entries JE # 102</b>				
<To move Federal Income Taxes that were refunded.>				
52130	Income Tax Payable, Fed & State		15,074.00	
55310	Income Tax Expense-Federal			15,074.00
<b>Total</b>			<b>15,074.00</b>	<b>15,074.00</b>
<b>Adjusting Journal Entries JE # 103</b>				
<To adjust the deferred tax asset/liability to actual at year end.>				
22167	Deferred Tax		561,392.00	
52166	Deferred Tax		950,825.00	
25322	Deferred Tax Expense			1,512,217.00
<b>Total</b>			<b>1,512,217.00</b>	<b>1,512,217.00</b>
<b>Adjusting Journal Entries JE # 104</b>				
<To record estimate of 2017 fuel tax credit.>				
51299	REFUNDABLE FUEL TAX CREDIT		2,137.00	
54230	Fuel			2,137.00
<b>Total</b>			<b>2,137.00</b>	<b>2,137.00</b>
<b>Total Adjusting Journal Entries</b>			<b>1,575,985.38</b>	<b>1,575,985.38</b>
<b>Total All Journal Entries</b>			<b>1,575,985.38</b>	<b>1,575,985.38</b>

OFFICE OF THE SECRETARY OF STATE



NOT FOR PROFIT  
**CERTIFICATE OF INCORPORATION**

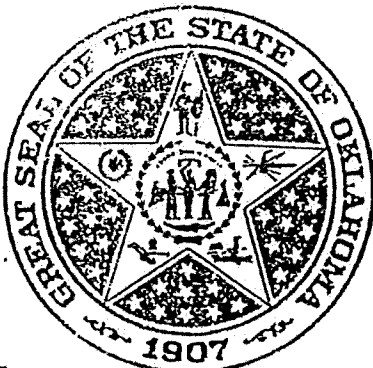
*To all to Whom these Presents shall Come, Greetings:*

**WHEREAS,** *The Certificate of Incorporation, duly signed and verified, of*  
*NORTHEAST RURAL SERVICES, INC.*

*has been filed in the office of the Secretary of State as provided by the Laws of the*  
*State of Oklahoma.*

**NOW THEREFORE,** *I, the undersigned, Secretary of State of the State of*  
*Oklahoma by virtue of the powers vested in me by law, do hereby issue this Certificate*  
*of Incorporation.*

**IN TESTIMONY WHEREOF,** *I hereunto set my hand and cause to be affixed*  
*the Great Seal of the State of Oklahoma.*



*Filed at the City of Oklahoma City this* 6th.  
*day of* January *, A.D., 19* 89

*Hannah D. Atkins*  
*Secretary of State*

*By: H. L. Courtney*

EXHIBIT

D

**STATE OF KANSAS**  
**OFFICE OF**  
**SECRETARY OF STATE**  
**KRIS W. KOBACH**

I, KRIS W. KOBACH, Secretary of State of the state of Kansas, do hereby certify, that according to the records of this office.

Business Entity ID Number: 7448616

Entity Name: NORTHEAST RURAL SERVICES, INC.

Entity Type: FOREIGN FOR PROFIT

State of Organization: OK

Resident Agent: THE CORPORATION COMPANY, INC.

Registered Office: 112 SW 7TH STREET SUITE 3C, TOPEKA, KS 66603

was filed in this office on July 01, 1992, and is in good standing, having fully complied with all requirements of this office.

No information is available from this office regarding the financial condition, business activity or practices of this entity.



In testimony whereof I execute this certificate and affix the seal of the Secretary of State of the state of Kansas on this day of June 13, 2018

**KRIS W. KOBACH**  
**SECRETARY OF STATE**

Certificate ID: 1059856 - To verify the validity of this certificate please visit <https://www.kansas.gov/bess/flow/validate> and enter the certificate ID number.





This Master Service Agreement (together with the Service Schedules attached hereto (collectively, the "Agreement") is effective upon full execution ("Effective Date"), by and between LEVEL 3 COMMUNICATIONS, LLC ("Level 3") and NORTHEAST RURAL SERVICES, INC. ("Customer"), and contains the general terms and conditions applicable to purchases of services ("Service(s)") from Level 3.

1. **Service Delivery.** Requests for Services will be on Level 3 orders ("Orders") stating the pricing and term ("Service Term") for which Services are requested. The Service will continue on a month to month basis at the expiration of the Service Term until terminated by either party upon 30 days' prior written notice, at the existing rates, subject to increase by Level 3 upon 30 days' written notice. Level 3 will notify Customer electronically or in writing (a) of acceptance of the Customer Order by delivering the date by which Level 3 will install Service (the "Customer Commit Date") and (b) when Service is installed (a "Connection Notice"), at which time billing will commence ("Service Commencement Date"). Unless Customer notifies Level 3 within 5 days of the Service Commencement Date that Service is not working properly, the Service will be deemed accepted and billing will commence on the Service Commencement Date. If Level 3 cannot complete installation due to Customer delay or inaction, Level 3 may begin charging Customer for the Service and Customer shall pay such charges which will appear on Customer's first invoice following the Service Commencement Date. Customer will at its expense timely provide suitable access to non-Level 3 facilities and power for the installation, maintenance, upgrade and/or removal of Level 3 network and equipment. If third party local access services are obtained by or for Customer, Customer will cooperate with Level 3 by providing: (i) information (including firm order commitments (FOC)) to enable cross-connects to Level 3 Service(s), (ii) necessary authorizations and other information respecting circuit grooming, and (iii) written third party disconnection FOCs where a related Service is disconnected. Title to all equipment and software provided by Level 3 remains with Level 3. Level 3's then current Acceptable Use and Privacy Policies (available at [www.level3.com](http://www.level3.com)) apply to Customer's use of Service.

2. **Charges.** Invoices are delivered monthly and due 30 days after the invoice date. Fixed charges are billed in advance and usage-based charges are billed in arrears, partial months being prorated. Level 3's standard charges apply to moves, adds or changes requested by Customer and agreed to by Level 3. Past due amounts bear interest at the lesser of 1.5% per month or the highest rate allowed by law. Customer agrees to pay all Service charges, even if incurred as the result of unauthorized use. If Customer disputes an invoice, Customer will pay the undisputed amount by the due date and submit written notice of the disputed amount detailing the nature of the dispute and the invoices disputed. Disputes must be submitted within 90 days of the date of the invoice or the right to dispute is waived. If a dispute is resolved against Customer, Customer will pay the disputed amounts plus interest from the due date within 30 days. Payment of any invoice shall not have the effect of waiving Customer's rights to dispute the amounts charged on any applicable invoice or seek any remedy available to Customer at law or equity, provided the dispute must be submitted within 90 days of the invoice. Level 3 may require a security deposit of up to 2 months estimated charges as a condition to accepting an order or, for a) usage-based Services at any time; or b) non-usage based Service if Customer fails to timely pay Level 3 hereunder or Level 3 reasonably determines that Customer has had an adverse change in financial condition, provided Level 3 does not have the right to require Customer to disclose its financial statements. If any change in applicable law or regulation affects the delivery of Service, Level 3 may pass any increased costs through to Customer and Customer may terminate the affected Service without termination liability by delivering written notice to Level 3 within 30 days.

3. **Taxes and Tax Like Fees.** Except for Level 3's net income tax, Customer is responsible for all taxes, fees, surcharges, license fees, foreign withholding (which will be grossed up) and other tax like charges imposed on or incident to the provision, sale or use of Service (whether imposed on Level 3 or its affiliates). Level 3 may recover taxes, fees, and certain costs of administering the same through a percentage surcharge(s) on the Services. Valid exemption certificates will be given prospective effect upon receipt by Level 3.

4. **Termination.** If (i) Customer fails to pay Level 3 any undisputed charges when due and such failure continues for 5 business days after written notice from Level 3 or (ii) either party fails to observe any other material term of this Agreement and such failure continues for 30 days after written notice from the other party, then the non-defaulting party may terminate this Agreement or any Order, in whole or in part, and pursue any remedies it may have at law or in equity. If Customer cancels or terminates Service without cause, or Level 3 terminates Service for cause, Customer will pay Level 3 a termination charge equal to the sum of: (A) if prior to delivery of a Connection Notice, (i) for "off-net" Service, third party termination charges for the cancelled Service; (ii) for "on-net" Service, 1 month's monthly recurring charges for the cancelled Service; (iii) the non-recurring charges for the cancelled Service; and (iv) Level 3's out of pocket costs (if any) incurred in constructing facilities necessary for Service delivery or (B) following delivery of a Connection Notice, (i) all unpaid amounts for Service actually provided; (ii) 100% of the remaining monthly recurring charges (if any) for months 1-12 of the Service Term; (iii) for months 13 through the remainder of the Service Term, for (a) On-Net Services, 25% of the remaining monthly recurring charges and (b) for Off-Net Services, 100% of the remaining monthly recurring access charges; and (iv) to the extent not recovered by the foregoing, any termination liability payable to third parties by Level 3 resulting from the termination and any out of pocket costs incurred in constructing facilities to the extent such construction was undertaken to provide the Services. In lieu of installation Service Level credits, if installation of Service is delayed by more than 30 business days beyond the Customer Commit Date, Customer may terminate the affected Service without liability upon written notice to Level 3, provided (i) such notice is delivered prior to delivery of a Connection Notice for the affected Service and (ii) this right shall not apply where Level 3 is constructing facilities.

5. **Warranties.** Each Party hereby represents that, as of the Effective Date: (i) it has the power and the authority to enter into this Agreement and to perform its obligations hereunder; (ii) it has not entered into any agreement or other arrangement that conflicts with or would otherwise cause a default under this Agreement or any Customer Order; and (iii) this Agreement has been duly and validly executed and delivered and constitutes a valid and binding obligation, enforceable against it in accordance with its terms. Subject to the last sentence of Section 8 below, Level 3 represents and warrants that: (i) it will provide the Services hereunder in a competent, professional and workmanlike manner with the skill, care and diligence to be expected of a telecommunications provider rendering the same or similar services; (ii) it is duly incorporated, validly existing, and in good standing as a company under the laws of the jurisdiction of its formation; (iii) it has all rights necessary for its execution and delivery of this Agreement and its performance of its obligations under this Agreement; and (iv) as of the Effective Date, the Services do not intentionally and knowingly infringe upon the rights of other parties, including all Intellectual Property Rights nor are there any existing, pending, or, to Level 3's knowledge, threatened claims regarding violation or infringement of any such Intellectual Property Rights related to the Services that would materially impact Level 3's ability to deliver the Services. EXCEPT AS EXPRESSLY SET FORTH HEREIN, LEVEL 3 MAKES NO WARRANTIES OR REPRESENTATIONS RESPECTING THE SERVICE, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.



## MASTER SERVICE AGREEMENT

6. **LIABILITY LIMITATIONS.** NEITHER PARTY WILL BE LIABLE FOR ANY DAMAGES FOR LOST PROFITS, LOST REVENUES, LOSS OF GOODWILL, LOSS OF ANTICIPATED SAVINGS, LOSS OF DATA, THE COST OF PURCHASING REPLACEMENT SERVICES, OR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES IN ANY WAY RELATED TO THIS AGREEMENT OR ANY ORDER. LEVEL 3 WILL HAVE NO LIABILITY FOR ANY CLAIMS RELATING TO 911 OR OTHER EMERGENCY REFERRAL CALLS.

7. **Force Majeure.** Neither party will be liable, nor will any credit allowance (pursuant to the attached Service Schedules) or other remedy other than that identified in this Section, be available for any failure of Service due to causes beyond such party's reasonable control ("Force Majeure"). Customer will not be obligated to pay Level 3 for Service not delivered as the result of Force Majeure. If such event prevents Level 3 from delivering Service for more than 30 consecutive days and Level 3 is unable to provide a mutually acceptable alternate solution or work-around, Customer may terminate the affected Service upon written notice to Level 3 and shall not be obligated to pay early termination charges, other than third party termination charges, if any; provided Level 3 has not resumed delivery of the affected Service prior to Customer's delivery to Level 3 of such written notice of termination.

8. **Service Levels.** The Service level commitments ("Service Levels") for Services are stated in the applicable Service Schedules (attached hereto and incorporated herein) for each Service. If Level 3 does not meet a Service Level (based on Level 3's records) applicable service credits will be issued upon Customer's request to Level 3 Customer Service. Credits must be requested within 60 days after the event giving rise to the credit. Scheduled Maintenance of the Service, conducted upon prior written notice to Customer, may, but ordinarily will not, result in limited Service Interruptions. Service Interruptions caused by Periods of Force Majeure and Scheduled Maintenance are "Excused Outages". If Level 3 does not meet a Service Level (based on Level 3's records) applicable service credits will be issued upon Customer's request to Level 3 Customer Service. Credits must be requested within 60 days after the event giving rise to the credit. Customer's sole remedies for any outages, failures to deliver or defects in Service are contained in the Service Levels (if any).

9. **Assignment.** Neither party may assign its rights or obligations under this Agreement or any Order without the prior written consent of the other party, not to be unreasonably withheld. The foregoing notwithstanding, either party may assign its rights and obligations under this Agreement or any Customer Order without the consent of the other party: (1) to any subsidiary, parent or affiliate which controls, is controlled by, or is under common control with that party; (2) pursuant to the sale or transfer of substantially all of the business or relevant assets of that party; or (3) pursuant to any financing, merger, or reorganization of that party. This Agreement and Customer Order shall apply to any permitted transferees or assignees. Notwithstanding any terms to the contrary contained herein, the parties hereto agree that Customer may assign the Agreement and all rights contained herein to the Rural Utilities Service ("RUS"), a branch of the USDA, in accordance with the terms of the Loan and Security Agreement dated August 22, 2013, entered into between Customer and RUS ("Loan"), entered into for the purposes of financing the construction of Customer's fiber optic network. No such assignment of obligations shall relieve Customer of any liability or obligation hereunder unless otherwise agreed to in writing by Level 3. Customer represents to Level 3 that RUS has a first lien on Customer's assets more fully described in Schedule 3 of the Loan ("Encumbered Property") under the Loan. Customer may not resell, on a wholesale basis, Service provided pursuant to this Agreement but Customer may use such Service in the normal course of its business. Customer will indemnify and defend Level 3, its affiliates and their agents against any claims arising from or related to Customer's use of the Service. Nothing in this Agreement, express or implied, confers upon any third party any right, benefit or remedy under this Agreement.

### 10. Indemnification.

10.1 **General Indemnification.** Each party agrees to indemnify, defend and hold harmless the other party from third party claims for damage to tangible property, personal injury or death caused by the gross negligence or willful misconduct of such party. This indemnification obligation shall not apply to Level 3 when Level 3 is providing 911 Service.

10.2 **Intellectual Property Indemnification.** (1) Level 3 shall indemnify and defend Customer, its affiliates and agents, from any third party loss, damage, expense or liability resulting from any third party claim that a Service, as provided by Level 3, prospectively infringes any patent, copyright, trademark, service mark, trade secret or other intellectual property right ("IP Right"); provided however, the foregoing will not apply to any claim based on the combination of Level 3's Service with other products, services or functionality or Level 3's modification of a Service in accordance with Customer's specific instructions. Level 3's obligations under this section are contingent upon: (i) Customer providing prompt notice of such claim to Level 3 in writing, (ii) Customer providing Level 3 with sole control and authority over the defense and/or settlement of such claim, and (iii) Customer cooperating with Level 3 (at Level 3's expense) in the defense and/or settlement of such claim upon Level 3's written request. If a claim for which Level 3 may have a defense or indemnification obligation hereunder is or may be made, Level 3 may, at its option and expense: (i) obtain for Customer the right to continue to use the Service consistent with this Agreement; (ii) modify the Service so that it is non-infringing and in compliance with the Agreement; or (iii) replace the Service with an alternative, non-infringing Service with equivalent functionality. The foregoing states Level 3's only obligations (and Customer's sole and exclusive remedy) for any claims, actions, liabilities, damages or losses arising in connection with alleged or actual infringement, violation or misappropriation of an IP Right by the Services.

(2) Customer shall indemnify and defend Level 3, its affiliates and agents, from any third party loss, damage, expense or liability resulting from any third party claim that any service or content provided or delivered by or on behalf of Customer prospectively infringes any IP Right; provided however, that Customer's obligations under this section are contingent upon: (i) Level 3 providing prompt notice of such claim to Customer in writing, (ii) Level 3 providing Customer with sole control and authority over the defense and/or settlement of such claim, and (iii) Level 3 cooperating with Customer (at Customer's expense) in the defense and/or settlement of such claim upon Customer's written request.

11. **Miscellaneous.** The terms of this Agreement and all information of a confidential nature acquired in performing this Agreement is confidential and shall not be disclosed to third parties, other than to a party's vendors, affiliates, and RUS. Notices will be made in writing to the address below. If no Customer address is provided below, Level 3 may provide notices under this Agreement to any address identified in an Order. Services may be provided by Level 3 or its affiliates and Level 3 may use third parties to provide Services, provided that Level 3 shall remain responsible for the delivery and performance of the Service in accordance with the terms of this Agreement. This Agreement and Customer Order(s) are the entire agreement between the parties respecting the subject matter hereof and can only be modified in a writing signed by both parties. If either party fails to enforce any right or remedy under this Agreement, such failure will not waive the right or remedy. This Agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions. Each party shall comply with all applicable laws, rules and regulations associated respectively with Level 3's delivery or Customer's use of the Services under the Agreement. Customer represents to Level 3 that the Agreement may be required for Customer to satisfy certain conditions of the Loan and if upon RUS' review of the Agreement, RUS requires modifications, deletions, or additions to this Agreement for purpose of the Loan conditions, then Level 3 and Customer hereby agree to work in good faith to satisfy any applicable RUS request. If the parties are unable to agree to terms associated with said RUS request(s) within 30 days from the date that Level 3 is notified of such request(s), then Customer shall have the right to terminate the Agreement upon 30 days prior written notice to Level 3 and such termination may only be subject to: (i) all amounts unpaid by Customer for Service actually provided; (ii) any documented termination liability actually payable to third parties by Level 3 resulting from the termination; and (iii) any out of pocket costs incurred in constructing facilities to the extent such construction was undertaken only to provide Services to Customer.

## MASTER SERVICE AGREEMENT

With respect to Services provided in Latin America, Customer agrees that it (or its local affiliate) will enter into a separate local country addendum/agreement (as approved by local authorities) ("LCA") with the respective Level 3 affiliate which provides the local Service(s), and such Level 3 affiliate will invoice the Customer (or its local affiliate) party to the LCA for the respective local Service(s). Any conflict between this Master Service Agreement and the terms of any Service Schedule and/or Customer Order shall be resolved by giving precedence in the following order: (1) the Service Schedule; (2) this Master Service Agreement; and (3) the Customer Order.

LEVEL 3 COMMUNICATIONS, LLC ("Level 3")  
1025 Eldorado Blvd.  
Broomfield, Colorado 80021  
Attn: General Counsel

By [Signature]  
Name John J. McCarthy  
Title Vice President &  
Asst. General Counsel  
Date \_\_\_\_\_

11/3/2015

NORTHEAST RURAL SERVICES, INC. ("Customer")  
27039 S. 4440 Rd.  
Vinita, OK 74301 US  
Attn: Anthony Due

By [Signature]  
Name ANTHONY DUE  
Title GM / CEO  
Date 10-30-2015



**MASTER SERVICE AGREEMENT**  
**SERVICE SCHEDULE**  
**LEVEL 3® SECURE INTERNET SERVICES**  
(Version Issue Date: September 15, 2015)

1. **Applicability.** This Service Schedule is applicable where Customer orders Level 3® Secure Internet Services (which may also be called Dedicated Internet Access, Internet Services, High Speed IP, or IP Transit Services on ordering, invoicing or other documentation). The Service is subject to the Master Service Agreement executed between Level 3 and Customer, attached hereto. Level 3 may subcontract the provision of the Service in whole or part, provided that Level 3 remains responsible for the Service to Customer as set forth herein. Capitalized terms used but not defined herein have the definitions given to them in the Agreement.
2. **Service Description.** Level 3® Secure Internet Services are high speed symmetrical Internet services providing access to the Level 3 IP network and the global Internet ("Service"). The Service is generally available via Ethernet connections from 10/100 Mbps ports to 100Gbps ports, as well as T1/E1, DS3/E3, and SONET connections from OC3/STM1 to OC48/STM16. Additional features and functionality may include:
  - a. **IP Addresses.** IP Address space with proper justification.
  - b. **Primary DNS / Secondary DNS.** Primary or Secondary DNS as requested.
  - c. **Static routing / BGP peering.** Static routing or BGP peering options available.
  - d. **On-line bandwidth utilization reports.** On-line bandwidth utilization reports available through the customer portal.
  - e. **Basic security service.** Subject to Customer having Level 3-approved routers, included as part of the Services is a one-time per 12 month period ability to request Level 3 to temporarily (i.e. for up to 24 hours): (i) apply a temporary access control list (ACL) with up to 10 rules on such routers; (ii) set up firewall filters specifying IPs, subnets, ports and protocols, and (iii) configure null routes. Requests that exceed this duration or frequency will be charged at \$1000 per hour with a minimum charge of \$4000. Customer is encouraged to order additional Services as outlined below.

The following services may be available at an additional charge to be set forth in an Order and pursuant to the separate Service Schedules for such services:

- a. **Managed Router.** Managed Router Service provides for Internet access Customer Premises Equipment ("CPE") management by Level 3.
  - b. **Site Readiness.** Level 3 will extend cabling from the minimum point of entry (MPOE) to CPE suite.
  - c. **MSS-Cloud & MSS-Premise.** Managed Firewall, Intrusion Prevention, Managed Web Filtering, Antivirus, Antispam, and Log Management are available as a cloud-based service ("MSS-Cloud") or as a managed device on premises service ("MSS-Premises").
  - d. **Distributed Denial of Service (DDoS) Mitigation Service.** Level 3's DDoS Mitigation Service provides layers of defense through network routing, rate limiting and filtering that can be paired with advanced network-based detection and mitigation scrubbing center solutions.
  - e. **Network Protection Service.** Network Protection Service (NPS) is additional Internet security which may be provided in conjunction with Internet Services and provides Customer the ability to request basic Distributed Denial of Service (DDoS) mitigation.
  - f. **Dynamic Capacity.** Dynamic Capacity provides the ability to augment bandwidth on a near real-time basis via self-service tools.
3. **Charges.** Customer shall be billed non-recurring charges ("NRC") and monthly recurring charges ("MRC") for Service as set forth in Order(s). NRC includes applicable installation charges for local-access circuit, port connection and bandwidth. MRC includes local-access charges, port connection charges, and bandwidth charges. Other charges, including but not limited to usage-based charges, may apply as stated in Order(s). The Services are available with fixed-rate or burstable billing types.

**Fixed-rate.** Service with fixed-rate billing provide a set amount of bandwidth at a fixed-rate MRC. No usage element applies. Customer will not be permitted to exceed the contracted bandwidth level, provided that if Customer also orders Dynamic Capacity (where available) bandwidth and the associated charges may be adjusted as set forth in the separate terms for Dynamic Capacity.

**Burstable.** For Service provided with burstable bandwidth, the MRC is based on Committed Information Rate ("CIR") (which is also called a Committed Data Rate ("CDR")). The CIR/CDR is the minimum Internet bandwidth that will be billed to Customer each month regardless of lower actual usage. Usage charges for any usage in excess of the CIR/CDR (burstable usage) will apply on a per Mbps basis at the rate stated in the Order. Burstable usage is billed on a 95<sup>th</sup> percentile basis. Usage levels are sampled every five minutes, for the previous 5 minute period, on both inbound and outbound traffic. At the end of the bill cycle, the highest 5% of the traffic samples for each inbound and outbound, will be discarded, and the higher of the resulting inbound and outbound values will be used to calculate any applicable usage. If available and identified in the applicable Order, a Peak Information Rate (PIR) or Peak Data Rate (PDR) may apply, which is the maximum available bandwidth.

Burstable Services may also be provided on an aggregated basis. For aggregate burstable Service the bandwidth MRC is based on the aggregate Committed Information Rate ("ACIR") (which is also called an aggregate Committed Data Rate ("ACDR")). The ACIR/ACDR is the minimum bandwidth that will be charged to Customer each month, regardless of lower actual usage. Usage charges for any usage in excess of the ACIR/ACDR (burstable usage) will apply on a per Mbps basis at the rate stated in the Order. Burstable usage is calculated on a 95<sup>th</sup> percentile basis across all included ports. If available and identified in the applicable

## MASTER SERVICE AGREEMENT

Order, an aggregated Peak Information Rate (APIR) or aggregated Peak Data Rate (APDR) may apply, which is the maximum available bandwidth across all included ports.

4. **Customer Responsibilities.** Customer is solely responsible for all equipment and other facilities used in connection with the Service which are not provided by Level 3. All IP addresses, if any, assigned to Customer by Level 3 shall revert to Level 3 upon termination of Service, and Customer shall cease using such addresses as of the effective date of termination.
5. **On-Net and Off-net Access.** Access services provided entirely on the Level 3 owned and operated network ("Network") are "On-Net Access Services". Additionally, Level 3 may use third parties to reach Customer's site from the Level 3 Network ("Off-Net Access Services").
6. **Service Levels and Service Credits.** The following service level agreements (SLAs) apply as set forth below:
  - a. **Availability Service Level.** Level 3's availability SLA in the United States and Canada is 99.99%. Outside the United States and Canada, the availability SLA is 99.98% for On-Net Access Services and 99.9% for Off-Net Access Service.
  - b. **Network Packet Delivery Service Level.** The packet delivery SLA on the Level 3 Network is 99.95%.
  - c. **Network Latency Service Levels.** The latency SLAs on the Level 3 Network are set forth below and are average round-trip.

Table A: Network Latency

	Network Latency (Average Round-Trip)
Intra-North America	< 50 ms*
Intra-Europe	< 35 ms
Intra-Asia	< 110 ms
Intra-Latin America	< 120 ms
North America to Europe	< 80 ms**
North America to Asia	< 185 ms**
North America to Latin America	< 140ms**
Europe to Asia	< 345 ms**
Europe to Latin America	< 210 ms**
Asia to Latin America	< 315 ms**

\* Additionally, add 90ms from/to the Mexico IP Hub and add 30ms from/to Hawaii to the west coast of the continental United States.  
 \*\* Additionally, add the applicable "intra-region" latency parameter for the region in which the applicable Customer Site is located

- d. **Credits for SLAs above:** All SLA credits will be calculated after deducting any discounts and other special pricing arrangements. Credit percentages are applied to the MRC of the CIR/CDR rate, port charge, and local access circuits for applicable sites only. In no event will SLA credits in any calendar month exceed 100% of the total MRCs for Services hereunder for the affected site(s).
- i. **Availability Service Credit:** Service is "Unavailable" (except in the case of an Excused Outage) if the Customer port at a Customer site is unable to pass traffic. Service Unavailability is calculated from the timestamp Level 3 opens a trouble ticket following the report of a problem by the Customer until the time the ticket is closed. If credits are due under this SLA, no other SLAs apply to the same event in the context of this Service. If Service is Unavailable for reasons other than an Excused Outage, Customer will be entitled to a service credit off of the MRC for the affected Service based on the cumulative Unavailability of the Service in a given calendar month as set forth in the tables below.

Table B: Availability Service Credit - United States and Canada

Cumulative Unavailability (0.0% - 0.999999%)	Service Level Credit
00:00:01 - 00:05:00	No Credit
00:05:01 - 00:43:00	5%
00:43:01 - 04:00:00	10%
04:00:01 - 8:00:00	20%
08:00:01 - 12:00:00	30%

## MASTER SERVICE AGREEMENT

12:00:01 – 16:00:00	40%
16:00:01 – 24:00:00	50%
24:00:01 or greater	100%

Table C: Availability Service Credit - On-Net Access Services outside the U.S. and Canada

Cumulative Unavailability (hrs:min:sec)	Service Level Credit
00:00:01 – 00:10:00	No Credit
00:10:01 – 00:43:00	5%
00:43:01 – 04:00:00	10%
04:00:01 – 8:00:00	20%
08:00:01 – 12:00:00	30%
12:00:01 – 16:00:00	40%
16:00:01 – 24:00:00	50%
24:00:01 or greater	100%

Table D: Availability Service Credit- Off-Net Access Services outside the U.S. and Canada

Cumulative Unavailability (hrs:min:sec)	Service Level Credit
00:00:01 – 00:43:00	No Credit
00:43:01 – 04:00:00	10%
04:00:01 – 8:00:00	20%
08:00:01 – 12:00:00	30%
12:00:01 – 16:00:00	40%
16:00:01 – 24:00:00	50%
24:00:01 or greater	100%

- ii. **Network Packet Delivery Service Credits.** Packet Delivery SLAs are based on monthly average performance between Level 3 designated points of presence ("POPs"). Customer will be entitled to a service credit off of the MRC for the affected Service as set forth below for the Service parameter(s) not met for reasons other than an Excused Outage. Customer will not be entitled to credits under the packet delivery SLA for the affected Service where such failure is related to Unavailability under the Availability SLA.

Table E: Packet Delivery Service Credit

Packet Delivery Metrics	Percentage Credit
99.95% or greater	No Credit
99.94% - 99.0%	10%
98.99% - 98.0%	30%
95.99% or less	50%

- iii. **Network Latency Service Credits.** Network latency SLAs are based on monthly average performance between Level 3 designated points of presence ("POPs"). Customer will be entitled to a service credit off of the MRC for the affected Service as set forth below for the Service parameter(s) not met for reasons other than an Excused Outage. Customer will not be entitled to credits under the network latency SLA for the affected Service where such failure is related to Unavailability under the Availability SLA.

Table F: Network Latency Service Credit

Latency Exceeding Network Latency Metric	Percentage Credit
1- 10 ms	10%
11- 25 ms	30%
26 ms or greater	50%

- e. **Chronic Outage.** As its sole remedy, Customer may elect to terminate an affected Service hereunder prior to the end of the Service Term without termination liability if, for reasons other than an Excused Outage, such Service becomes Unavailable (as defined in Section 6(d)(i) above) twice during a 30-day period, and becomes Unavailable a third time within 30 days following the second event. Customer may only terminate such Service that is Unavailable as described above, and must exercise its right to terminate the affected Service under this Section, in writing, within 30 days after the event giving rise to the termination right.
- f. **Force Majeure.** Neither party will be liable, nor will any credit allowance (pursuant to the attached Service Schedules) or other remedy other than that identified in this Section, be available for any failure of Service due to causes beyond such party's

## MASTER SERVICE AGREEMENT

reasonable control ("Force Majeure"). Customer will not be obligated to pay Level 3 for Service not delivered as the result of Force Majeure. If such event prevents Level 3 from delivering Service for more than 30 consecutive days and Level 3 is unable to provide a mutually acceptable alternate solution or work-around, Customer may terminate the affected Service upon written notice to Level 3 and shall not be obligated to pay early termination charges, other than third party termination charges, if any; provided Level 3 has not resumed delivery of the affected Service prior to Customer's delivery to Level 3 of such written notice of termination.

9. Installation Service Level. Level 3 will exercise commercially reasonable efforts to install any Service on or before the Customer Commit Date for the particular Service. This Installation SLA shall not apply to Orders that contain incorrect information supplied by Customer or Orders that are altered at Customer's request after submission and acceptance by Level 3. In the event Level 3 does not meet this Installation SLA for reasons other than an Excused Outage, Customer will be entitled to a service credit for each day of delay equal to the charges for 1 day of the pro rata share of the MRC associated with the affected Service up to a monthly maximum credit of 30 days. For Services billed on an Aggregate CIR/CDR basis, the charges for 1 day of the pro rata share of the MRC will be calculated based on the average MRC per port for the aggregate.
7. Resale Restriction. Customer is prohibited from reselling any Secure Internet Service or any ports provided hereunder as a stand-alone service to a third party without the express written consent of Level 3, provided, however that Customer may bundle any Secure Internet Service or any ports provided pursuant to this Service Schedule with any other Level 3 services (to the extent resale of those service is allowed) or the services of Customer and resell such bundled service to Customer's subscribers and its customers. Customer may provide Service to third parties or use the Services in connection with goods or services provided by Customer to third parties ("Customer Provided Services").
8. Latin American Services. With respect to Services provided in Latin America, Customer agrees that it (or its local Affiliate) will enter into a separate local country addendum/agreement (as approved by local authorities) ("LCA") with the respective Level 3 Affiliate which provides the local Service(s), containing terms necessary to comply with local laws/regulations, and such Level 3 Affiliate will invoice the Customer (or its local Affiliate) party to the LCA for the respective local Service(s).
9. Level 3 Arranged Third Party Procured Internet Services. For certain Service locations (including but not limited to where Level 3 may lack relevant licenses to provide such service), Level 3 may agree to arrange Internet services using third party providers ("Third Party Internet Service"). Service options vary on a country by country basis and may include access to the Internet via overbooked and/or non-overbooked connections, DSL technology, private leased circuits (fixed or wireless) and/or Satellite. Specific service details (access type, e.g. downstream/upstream speed, customer premises equipment requirements and number of IP addresses) also differ on a country by country basis. Customer understands and acknowledges that Third Party Internet Service will, if requested by Customer, be provided by third party subcontractor(s) to Level 3 and accordingly, is provided on a best effort and as-is basis. Notwithstanding the foregoing, Customer may report faults and/or outages in Third Party Internet Access to Level 3 on a 24x7 basis and in such circumstances Level 3 will contact the applicable third party service provider with a view to restoring service as quickly as possible. Customer will reasonably cooperate with the requests of such providers of Third Party Internet Service to enable installation, maintenance, repair and disconnection of Services. If third parties are used by Level 3 to provide Services, Level 3 shall remain responsible for the delivery and performance of the Service in accordance with the terms of this Agreement.

# MASTER SERVICE AGREEMENT

## SERVICE SCHEDULE LEVEL 3® WAVELENGTH SERVICE (Lease) (Version Issue Date: April 28, 2015)

1. **Applicability.** This Service Schedule is applicable only where Customer orders Level 3® InterCity Wavelength Service, Level 3® Metro Wavelength Service, or Level 3® International Wavelength Service (collectively "Level 3 Wavelength Service") on a lease basis. With respect to Services provided in Latin America, Customer agrees that it (or its local Affiliate) will enter into a separate local country addendum/agreement (as approved by local authorities) ("LCA") with the respective Level 3 Affiliate which provides the local Service(s), containing terms necessary to comply with local laws/regulations, and such Level 3 Affiliate will invoice the Customer (or its local Affiliate) party to the LCA for the respective local Service(s).

2. **Definitions.** Any capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement.

- (A) "Customer Commit Date" means the date by which Level 3 will install Service. The Customer Commit Date is established following Level 3's acceptance of a Customer Order.
- (B) "E2E" means end to end, and includes the On-Net and Off-Net components of Services in the United States and European Union, taken together.
- (C) "On-Net" means Service provided on the network owned (or operated and controlled) by Level 3 between two locations that are served directly by Level 3 owned (or operated and controlled) fiber and Level 3 owned equipment. Services that are not On-Net are Off-Net.
- (D) "Protected" shall mean any Service that includes a Level 3 managed protection scheme that allows traffic to be re-routed in the event of a fiber cut or equipment failure.
- (E) "Termination Node" shall mean the locations within Level 3's facilities or within Customer Premises in each of the cities in which termination is available. Each Level 3 Wavelength Service shall contain two (2) Termination Nodes, the exact location of which will be set forth in the Customer Order.
- (F) "Unavailable" or "Unavailability" means the duration of a break in transmission measured from the first of ten (10) consecutive severely erred seconds ("SESs") on the affected Level 3 Wavelength Service until the first of ten (10) consecutive non-SESs.
- (G) "Unprotected" shall mean any Service that does not include a Level 3 managed protection scheme that would allow traffic to be re-routed in the event of a fiber cut or equipment failure.

3. **Service Description.** Level 3 Wavelength Service is a dedicated, transparent, optical wave signal for transport of high bandwidth between two Termination Nodes offered on a Protected or Unprotected basis. Customer interface speeds consist of 1GbE, 2.5Gb, 10Gb, 40Gb and 100GbE, and 100GbE and 1Gb, 2Gb, 4Gb, 8Gb, and 10Gb Fibre Channel.

#### 4. **Interconnection.**

- (A) **Demarc.** To use the Level 3 Wavelength Service, Customer must provide to Level 3, at each Termination Node, a SONET or SDH-framed 2.5Gb, 10Gb or 40Gb signal, as defined by Telcordia GR-253-CORE, a 1Gb, 10Gb or 100Gb Ethernet signal, as defined by IEEE 802.3ae, or a 1Gb, 2Gb, 4Gb, 8Gb, or 10Gb Fibre Channel signal, as defined by T11 Technical Committee within INCITS (the International Committee for Information Technology Standards (collectively, "Traffic"), which Traffic will thereafter be delivered by Level 3, in like format, to the opposite and corresponding Termination Node.

The demarcation point for the Level 3 Wavelength Service shall be the Level 3 OSX or fiber termination panel at the Termination Node. Customer shall be solely responsible for providing all interconnection equipment used both to deliver Traffic to, or to accept Traffic from, Level 3 in the formats described above and for any and all protection schemes Customer chooses to implement respecting the Traffic. For a Termination Node at a location other than a Level 3 Gateway, Customer shall provide Level 3 with space and power (at no charge to Level 3), as reasonably requested by Level 3, for placement and operation of an OSX, fiber termination panel or other equipment within the Customer Premises.

- (B) **Construction of Facilities.** With respect to construction of facilities to the Customer Premises and installation, maintenance and repair of facilities within the Customer Premises, Customer shall provide Level 3 with access to and the use of Customer's entrance facilities and inside wiring, and/or shall procure rights for Level 3 allowing the placement of facilities necessary for installation of facilities to deliver the Level 3 Wavelength Service to the Customer Premises. All costs associated with procuring and maintaining rights needed to obtain entry to the building (and the real property on which the building is located) within which the Customer Premises are located, and costs to procure and maintain rights within such building to the Customer Premises, shall be borne by Customer.

## MASTER SERVICE AGREEMENT

- (C) **Third Party Providers.** Where Level 3 Wavelength Service is being terminated Off-Net at the Customer Premises through a third party provider to be provisioned by Level 3 on behalf of Customer, the charges set forth in the Customer Order for such Level 3 Wavelength Service assumes that such Level 3 Wavelength Service will be terminated at a pre-established demarcation point or minimum point of entry (MPOE) in the building within which the Customer Premises is located, as determined by the local access provider. Where the local access provider determines that it is necessary to extend the demarcation point or MPOE through the provision of additional infrastructure, cabling, electronics or other materials necessary to reach the Customer Premises, (i) Level 3 may charge Customer additional non-recurring charges and/or monthly recurring charges not otherwise set forth in the Customer Order for such Level 3 Wavelength Service, (ii) installation of Service may be delayed and (iii) Section 6(A) of this Service Schedule shall not apply. Level 3 will notify Customer of any additional non-recurring charges and/or monthly recurring charges as soon as practicable after Level 3 is notified by the local access provider of the amount of such charges.

In addition, where Level 3 Wavelength Service is being terminated Off-Net at the Customer Premises through an Off-Net Local Loop to be provisioned by Level 3 on behalf of the Customer, the charges and the Service Term set forth in the Customer Order for such Level 3 Wavelength Service assumes that such Level 3 Wavelength Service can be provisioned by Level 3 through the local access provider selected by Level 3 (and/or Customer) for the stated Service Term. In the event Level 3 is unable to provision such Level 3 Wavelength Service through the selected local access provider or the selected local access provider requires a longer Service Term than that set forth in the Customer Order, Level 3 reserves the right, regardless of whether Level 3 has accepted the Customer Order, to suspend provisioning of such Level 3 Wavelength Service and notify Customer in writing of any additional non-recurring charges, monthly recurring charges and/or Service Term that may apply. Upon receipt of such notice, Customer will have five (5) business days to accept or reject such changes. If Customer does not respond to Level 3 within the five (5) business day period, such changes will be deemed rejected by Customer. In the event Customer rejects the changes (whether affirmatively or through the expiration of the five (5) business day period), the affected Level 3 Wavelength Service will be cancelled without cancellation or termination liability of either party. Level 3 does not guarantee that any Level 3 Wavelength Service will be provided by a specified local access provider.

### 5. Service Levels:

- (A) **Installation Service Level.** Level 3 will exercise commercially reasonable efforts to install any On-Net Level 3 Wavelength Service on or before the Customer Commit Date specified for the particular Level 3 Wavelength Service. This Installation Service Level shall not apply to Customer Orders that contain incorrect information supplied by Customer, or Customer Orders that are altered at Customer's request after submission and acceptance by Level 3. In the event Level 3 does not meet this Installation Service Level for a particular Level 3 Wavelength Service for reasons other than an Excused Outage, Customer will be entitled to a service credit off of one month's monthly recurring charges ("MRC") (after application of discounts and other special pricing arrangements, if any) for the affected Level 3 Wavelength Service as set forth in the following table:

Installation Delay Beyond Customer Commit Date	Service Level Credit (MRC)
1 - 5 business days	5%
6 - 20 business days	10%
21 business days or greater	15%

- (B) **Availability Service Level.** In the event that a particular Level 3 Wavelength Service becomes Unavailable for reasons other than an Excused Outage, Customer will be entitled to a service credit off of the MRC (after application of discounts and other special pricing arrangements, if any) for the affected Level 3 Wavelength Service based on the cumulative Unavailability for the affected Level 3 Wavelength Service in a given calendar month as set forth in the following table:

#### For On-Net Unprotected Service

Cumulative Unavailability (in hrs:min:sec)	Service Level Credit
00:00:01 - 6:00:00	No Credit
6:00:01 - 8:00:00	10% of the MRC
8:00:01 - 12:00:00	30% of the MRC
12:00:01 or greater	50% of the MRC

## MASTER SERVICE AGREEMENT

For On-Net Protected Service

Cumulative Service Unavailability (in hours/minutes/seconds)	Service Level Credit
00:00:01 - 00:05:00	No Credit
00:05:01 - 01:00:00	10% of the MRC
01:00:01 - 10:00:00	30% of the MRC
10:00:01 or greater	50% of the MRC

### For E2E Protected Service

Cumulative Service Unavailability (in hours/minutes/seconds)	Service Level Credit
00:00:01 to 3:30:00	No Credit
03:30:01 - 6:00:00	10% of the MRC
6:00:01 - 12:00:00	30% of the MRC
12:00:01 or greater	50% of the MRC

### For E2E Unprotected Service

Cumulative Service Unavailability (in hours/minutes/seconds)	Service Level Credit
00:00:01 to 8:00:00	No Credit
8:00:01 - 10:00:00	10% of the MRC
10:00:01 - 16:00:00	30% of the MRC
16:00:01 or greater	50% of the MRC

- (C) Service Level Limitations. Except with respect to E2E Service, for any Off-Net Service, Level 3 will pass-through to Customer any service levels and associated credits (or other express remedies) provided to Level 3 by the applicable third party carrier. Service Levels do not apply to Service Interruptions attributable to long-haul International access circuits between a Level 3 point of presence in one country and a Customer premises in a different country.
- (D) The credits and any other remedies specified in Sections 5(A), 5(B) and Sections 6 and 7 below set forth the sole and exclusive remedies of Customer for any interruptions or delays of any Level 3 Wavelength Service or other Service-related issues.

6. **Force Majeure.** Neither party will be liable, nor will any credit allowance (pursuant to the attached Service Schedules) or other remedy other than that identified in this Section, be available for any failure of Service due to causes beyond such party's reasonable control ("Force Majeure"). Customer will not be obligated to pay Level 3 for Service not delivered as the result of Force Majeure. If such event prevents Level 3 from delivering Service for more than 30 consecutive days and Level 3 is unable to provide a mutually acceptable alternate solution or work-around, Customer may terminate the affected Service upon written notice to Level 3 and shall not be obligated to pay early termination charges, other than third party termination charges, if any; provided Level 3 has not resumed delivery of the affected Service prior to Customer's delivery to Level 3 of such written notice of termination.

7. **Chronic Outage.** As its sole remedy, Customer may elect to terminate any affected Wavelength Service (excluding any Wavelength Service provided in Latin America) prior to the end of the Service Term without termination liability if, for reasons other than

## **MASTER SERVICE AGREEMENT**

a Force Majeure Event or an Excused Outage, the Service is Unavailable for more than 12 consecutive hours in each of 3 consecutive calendar months, or for more than 42 hours in the aggregate in any calendar month. The termination right must be exercised within 30 days of the event giving rise to it.



# Level(3)

## Quote # 2773260

Quote # Z113260

Proposal

Prepared For		Prepared On		Price Valid Until		Currency		Total Amt		Total Amt	
Northeast Rural Services, Inc		10/14/2016		01/12/2016		USD		11,315.00		0.00	
High Speed IP											
5 Years		11,315.00						Total Amt		1	
Location											
State Name		Country		City		State		Zip		Local Address	
BIG CABIN, OK -		USA		MAZ79 E 144 @ OTA ROW BIG CABIN, OK 74332		Interstate		11315.00		.00	
BROADBAND											
Product Details											
A - MAZ79 E 144 @ OTA ROW BIG CABIN, OK 74332		Qty		Mtc		Rate		Total			
On Net Access - (10) Gig Ethernet LAN PRT - [Quantity = 1, Bandwidth = (10) Gig Ethernet LAN PRT]		1		5015.00		0.00		10000.00			
A - MAZ79 E 144 @ OTA ROW BIG CABIN, OK 74332		Qty		Mtc		Rate		Total			
IP Port - 10 GB - [Quantity = 1, Bandwidth = 10 GB, Routing Type = Standard, Service Role = Primary]		1		0.00		0.00		0.00			
A - MAZ79 E 144 @ OTA ROW BIG CABIN, OK 74332		Qty		Mtc		Rate		Total			
IP Logical - [Billing Method = Fixed, Committed Data Rate (CDR) = 10000.000]		1		6300.00		0.00		0.00			

Order Terms and Conditions

1. This confidential Customer Order may not be disclosed to third parties and is non-binding until accepted by Level 3 as set forth in section 4.
2. Pricing is generally valid for 90 calendar days from the date indicated unless a different time period is otherwise specified herein. Prior to installation Level 3 may give written notice to Customer (which may be via e-mail) of price increases due to price changes by off-net suppliers. Customer has 2 business days following such notice to terminate this Customer Order (without liability) otherwise Customer is deemed to accept the increase. Services may be provided by Level 3 or its affiliates. If any aspect of the Services set forth herein is to be provided internationally, a Local Country Agreement may be required.
3. If a generic demarcation point (such as a street address) is provided, the demarcation point for on-net services shall be Level 3's Minimum Point of Entry (MPOE) at such location (as determined by Level 3) and off-net demarcation points shall be the off-net vendor's MPOE. If this Customer Order identifies aspects of services which are procured by Customer directly from third parties, Level 3 is not liable for such services.
4. Customer places this Customer Order by signing (including electronic or digital signature) or otherwise acknowledging (in a manner acceptable to Level 3) this document and returning it to Level 3. The Service identified in this Customer Order shall be governed by and subject to the Master Service Agreement (including but not limited to Standard Terms and Conditions) with an affiliate of Level 3 (Affiliate Agreement), then the terms of the most recent such Affiliate Agreement shall apply to the extent not inconsistent with this Customer Order. Notwithstanding Level 3's Service Schedule applicable to the Services and set forth in the event that Level 3 and Customer have not executed a Master Service Agreement and/or applicable Service Schedule(s) with respect to such Service and have not executed an Affiliate Agreement, then Level 3's standard Master Service Agreement (Service Schedule(s)) (as of the date of the Customer Order) shall govern; a copy of which are available upon request. Notwithstanding anything to the contrary, Level 3's acceptance of the Order will be binding on both parties upon the earlier of Level 3's written delivery of a Customer Commit Date (CCD) (as the projected installation date) or Level 3's delivery of the requested Service. Additionally, notwithstanding anything in Customer's Affiliate Agreement to the contrary, at the end of the Service Term, the Services set forth herein shall renew on a month to month basis, terminable by either party with 30 days' advanced written notice and this renewal shall be subject to change upon 30 days' notice from Level 3.
5. Neither party shall be liable for any damages for lost profits, lost revenues, loss of goodwill, loss of anticipated savings, loss of data or cost of purchasing replacement services, or any indirect, incidental, special, consequential, exemplary or punitive damages arising out of the performance or failure to perform under this Customer Order. Customer's sole remedies for any outage, failure to deliver or defects in Services are contained in the service level agreement or purchase order for the Services.
6. All transport services ordered from Level 3 will be treated as intrastate for regulatory purposes. Customer may carry transport services as being intrastate (for regulatory purposes only) in a manner as required by Level 3, but only where the transport services are sold on a stand-alone basis, the end points for the services are located in the same state and neither end point is a Level 3 provided IP port (Intrastate Services). Where Customer requests that services be designated as intrastate Services, Customer certifies to Level 3 that not more than 10% of Customer's traffic utilizing the intrastate Services will be originated or terminated outside of the state in which the intrastate Services are provided. Such election will apply prospectively only, and will apply to all intrastate Services stated in this Customer Order.
7. Charges for certain Services are subject to surcharges of 4.25% and (b) a cost recovery fee of 5% per month to reimburse Level 3 for various governmental taxes and surcharges. Such charges are subject to change by Level 3 and shall be applied (i) promptly changes (added to the NRC) if Customer requests a delivery date inside Level 3's standard internal duration (which will be provided by Level 3 upon request and is currently available at <http://my.level3.net>) and (ii) any other changes for additional activities, features or options as set forth in Level 3's standard change surcharge, a copy of which is available upon request. If Level 3 cannot complete installation due to Customer delay or inaction, Level 3 may begin charging Customer for the Services and Customer shall pay such charges which will appear on Customer's first invoice following the Service Commencement Date.
8. For collocation, data center and/or hosting services, pre-arranged accepted access may be required at certain locations, and cross connected services are subject to whether facilities are available at the particular location to complete the connection.

Deliverables and Signature

Customer submits this document as a Customer Order.

Authorized Signature:	<i>Anthony Due</i>
Name:	ANTHONY DUE
Title:	GM / CEO
Date:	10-30-2015





## Fiber Connection Schedule

Level 3 Communications, LLC ("Level 3") accepts and ratifies the terms and conditions of this Schedule, as set forth herein, with respect to the POP identified below. Upon the execution of this Schedule by the duly authorized representative of each of Level 3 and Northeast Rural Services, Inc. ("Customer"), this Schedule shall become a part of and subject to the terms and conditions of the (i) Master Service Agreement and Level 3® Fiber Termination Service (North America) Schedule agreed upon by the parties (if any). In the event the parties have not entered into a Master Service Agreement and Level 3® Fiber Termination Service (North America) Schedule, then (ii) Level 3's standard Master Service Agreement and Service Schedules(s), including but not limited to the Level 3® Fiber Termination Service (North America) Schedule, as of the date of this Fiber Connection Schedule, which are available upon request, shall govern ((i) or (ii), as the case may be, and collectively, the "Agreement"). Any terms not defined herein shall have the meaning given in the Agreement.

### CUSTOMER TECHNICAL CONTACT:

Alex Mercado  
Operations Supervisor  
Northeast Oklahoma Electric Cooperative, Inc.  
27039 S 4440 Road  
Vinita, OK 74301  
Office: (918) 256-9476  
Cell: (918) 314-0630

### CUSTOMER BILLING INFORMATION:

Alex Mercado  
Operations Supervisor  
Northeast Oklahoma Electric Cooperative, Inc.  
27039 S 4440 Road  
Vinita, OK 74301  
Office: (918) 256-9476  
Cell: (918) 314-0630

### ADDRESS OF POP:

MM279 E I-44 @ OTA ROW  
Big Cabin, OK 74332  
CLLI: BGCBOOKAD

### PHYSICAL DIVERSITY REQUIREMENTS:

<input type="checkbox"/>	Diverse
<input checked="" type="checkbox"/>	Non-Diverse

### METHOD OF ENTRANCE:

<input checked="" type="checkbox"/>	Manhole
<input type="checkbox"/>	Riser

### FIBER COUNT:

<input type="text" value="2"/>	Fibers per Entrance
<input type="text" value="2"/>	Total Fibers (# Fibers x # Entrances)

By execution of this Schedule, Level 3 agrees to terminate all fibers interconnected pursuant to this Schedule simultaneously.

Customer understands and agrees that the fiber count permissible under this Schedule shall be subject to the following limits:

Maximum Count: Seventy two (72) fibers per manhole entrance.

Minimum Count: Two (2) fibers per manhole entrance.

FIBER TYPE/SPECIFICATIONS:

- Level 3 requires indoor/outdoor or plenum-rated fiber cable.

METHOD OF INTERCONNECTION:

Level 3 shall perform the below marked method of Interconnection:

- A.        -        Customer shall deliver the fibers to the Level 3 Point of Entry Manholes where it will be pulled by Level 3 into Maxcell Conduit and terminated at a fiber distribution panel ("FDP") within the POP.
- \_\_\_\_\_
- Customer is required to provide QTY (#) feet of fiber to Manhole #NUMBER[1].
  - And QTY (#) feet of fiber to Manhole #NUMBER[2] (if applicable).

Or

- B.        X        Customer shall deliver the fibers to the Level 3 Point of Entry Manholes where Level 3 will splice such fibers into the house cable and terminate such house cable at an FDP within the POP.
- \_\_\_\_\_
- Level 3 shall pull pre-existing cable from manhole(s) into Level 3 vault prior to splicing.
  - Customer is required to provide 100 feet of fiber to Meet-Me-Manhole at MM279 E I-44 @ OTA ROW, Big Cabin, OK 74332 (CLLI: BGCBOOKAD).

Or

- C.        -        Customer shall deliver the fibers via intra-building riser to the Level 3 Leased Transport Area of the POP where it will be terminated by Level 3 at a FDP within the POP.
- \_\_\_\_\_
- Customer is required to provide QTY (#) feet of fiber to Entrance #1.
  - And QTY (#) feet of fiber to Entrance #2 (if applicable).

NON-RECURRING FEES TO CUSTOMER:

Entrance Charge	\$500	Non-Recurring Charge (NRC) per Entrance
Fiber Termination Charge	\$0.00	Non-Recurring Charge (NRC) per Fiber

**SUMMARY**

Entrance Charge	\$500	NRC x Number of Entrances
Fiber Termination Charge	\$0.00	NRC x Number of Fibers
TOTAL NRC - One time payment	\$500	

RECURRING FEES TO CUSTOMER:

Monthly Recurring Charge (MRR)	\$250
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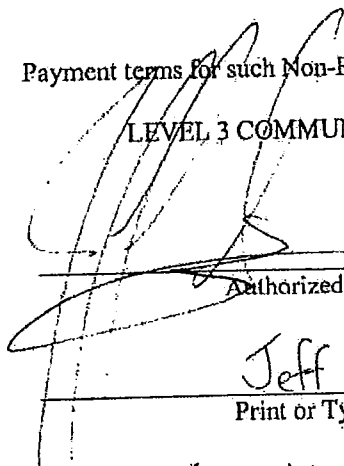
TERM:

5 years

Payment terms for such Non-Recurring and Recurring Fees are as set forth in the Agreement:

LEVEL 3 COMMUNICATIONS, LLC

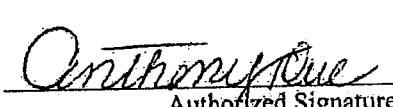
NORTHEAST RURAL SERVICES, INC.

  
\_\_\_\_\_  
Authorized Signature

Jeff Ary  
\_\_\_\_\_  
Print or Type Name

Sr. Director  
\_\_\_\_\_  
Title

11/17/2013  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Authorized Signature

ANTHONY DUE  
\_\_\_\_\_  
Print or Type Name

GENERAL MANAGER  
\_\_\_\_\_  
Title

11-17-2015  
\_\_\_\_\_  
Date



## FIRST AMENDMENT TO MASTER SERVICE AGREEMENT

THIS FIRST AMENDMENT TO MASTER SERVICE AGREEMENT ("Amendment") is entered into as of the date of last signature below (the "Amendment Effective Date"), by and between **Level 3 Communications, LLC** ("Level 3") and **Northeast Rural Services, Inc.** ("Customer"), and modifies that certain Master Service Agreement entered into by the Parties as of November 3, 2015 (the "Agreement"). Level 3 and Customer may be referred to herein collectively as the "Parties" and individually as a "Party." Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Agreement.

WHEREAS, the Parties entered into the Agreement for the provision of certain communications services provided by Level 3 to Customer;


WHEREAS, the Parties wish to revise the Agreement as further described herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to modify the Agreement as follows:


1. **Service Schedule.** The following Service Schedule is attached to and made a part of the Agreement:  
  
(a) **LEVEL 3® VoIP ENHANCED LOCAL SERVICE**
2. **Counterparts.** This Amendment may be executed in one or more counterparts, all of which taken together shall constitute one instrument. Digital signatures and electronically exchanged copies of signed documents shall be sufficient to bind the parties to this Amendment.
3. **Entire Agreement.** This Amendment sets forth the parties' complete and final agreement with respect to the matters addressed herein and can only be modified in a writing signed by both parties. All terms and conditions set forth in the Agreement shall remain in effect, except as modified by this Amendment.

By signing below, each party acknowledges that it has read, understood, and accepts the terms and conditions contained in this Amendment as of the Amendment Effective Date.

**Level 3 Communications, LLC**  
("Level 3")

By:   
Name: Samantha Leapley  
Title: Vice President, Legal  
Date: Jan 3, 2017

**Northeast Rural Services, Inc.**  
("Customer")

By:   
Name: ANTHONY DUE  
Title: CEO  
Date: 1-3-2017



SERVICE SCHEDULE  
LEVEL 3® VoIP ENHANCED LOCAL  
SERVICE

---

(Version Issue Date: March 14, 2012)

1. **Applicability.** This Service Schedule applies only to Level 3® VoIP Enhanced Local Service ("ELS Service"). Where "Level 3" is used in the Agreement or this Service Schedule, it shall mean Level 3 Enhanced Services LLC. Level 3 VoIP Enhanced Local Service may be designated as (3)VoIP EnhancedSM Local Service in customer orders, order acceptance, service delivery, billing (and related) documents.

2. **Definitions.** Capitalized terms used and not otherwise defined shall have the meaning set forth in the Agreement.

"911 Services" means functionality that allows end users to contact emergency services. 911 Services include Enhanced 911 Service, which have the ability to route an emergency call to the Public Safety Answering Point ("PSAP") assigned to the primary Subscriber address and (subject to Customer's obligations herein) provide the Subscriber's address and DID/DOD information. 911 Services are provided by Level 3 Communications, LLC pursuant to applicable tariffs.

"Average Number of Subscribers" means the sum of the total number of Subscribers per day during each day of the applicable month divided by the number of days in such month (or pro-rata for any partial month).

"Complex LNP Request" means an LNP request involving the porting of one or more DID/DOD's (per billing number and service address) that have any of the following features or requirements: PRI or T1 DID/DOD porting; Centrex features; or hunt groups (i.e. a series of lines configured so that if one line is busy, another is hunted until a free line is found).

"Customer VoIP Application" means the Class 5 VoIP application provided by Customer in connection with ELS Service.

"Directory Listings" means Level 3 offers one simple listing per telephone number ("TN") service address (no more than one non-bolded, captioned, basic listing) of a Subscriber's telephone number in the ILEC white pages directory for a Market.

"International" means anywhere outside of the continental United States, including Alaska and Hawaii.

"IP" means Internet Protocol.

"LCA" means a geographical local calling area (determined by the applicable ILEC) containing one or more Rate Centers.

"LNP" means local number portability.

"LNP Project" means an LNP request involving the porting of more than 50 DID/DOD's per service address and billing number.

"Market" means a geographic area (as defined by Level 3) in which Level 3 offers ELS Service. Current Markets may be viewed at [www.level3.com](http://www.level3.com).

"Operator and Directory Assistance" means live or automated operator assistance for the placement of Subscriber calls, listing services and/or related information.

"PSTN" means the public switched telephone network.

"Rate Center" means a geographic area (determined by the applicable ILEC) within a LCA or Market that is associated with one or more specific NPA/NXX codes.

"Reseller" is a customer of Customer to whom Customer sells ELS Services for resale to Subscribers or other resellers (which further resellers are also "Resellers" hereunder).

"SIP" is the signaling protocol used between VoIP networks to establish, control and terminate voice calls.

"Subscriber" means an individual, end-user or telephone device assigned a DID/DOD.

"U.S. Domestic" means the continental United States (excluding Alaska and Hawaii).

"VoIP" means voice over IP.

3. ELS Service Description/Limitations.

(A) ELS Service provides inbound and outbound local and long-distance voice services (via a DID/DOD assigned by Level 3 only) utilizing an IP to IP or PSTN to IP (or vice-versa) hand-off and which Customer certifies to Level 3 is either originated by Subscribers in, or terminated to Subscribers via an Internet Protocol format (or is otherwise enhanced traffic). Level 3 will route calls to the PSTN or an

IP address and terminate them to a Customer VoIP Application. Level 3 may temporarily block Service traffic where Level 3 reasonably believes it to be fraudulent, where Customer uses the Service in violation of this Service Schedule, or where reasonably necessary to protect Level 3's network. Where available in a Market, ELS Service includes without limitation, telecommunications relay services (711), Directory Listings and Operator and Directory Assistance, E911 Services and toll-free call routing. ELS Service does not support 976 or 900 calls.

(B) Customer (and any end user obtaining Service by or through Customer) is strictly prohibited from using ELS Service or any TNs in connection with any call types that would result in Level 3 incurring originating access charges, local exchange carrier "DIP" fees or other call types (including, without limitation, 8xx calls) that may be subject to a reverse billing process, application or charge. In the event that Customer fails to comply with the terms of this Section 3(B), Level 3 shall have the right to (i) immediately suspend or terminate the Service (without notice or opportunity to cure) and (ii) Level 3 shall charge Customer an additional \$0.04 per minute of use for all ELS Services provided to Customer from and after the date of any violation of this Section 3(B). Any charges owing by Customer to Level 3 under this Section 3(B) shall be in addition to any and all other charges that may be due and owing hereunder. Except to the extent arising directly as a result of Level 3's gross negligence or willful misconduct, Customer shall also indemnify and hold harmless Level 3, its officers, employees, agents and affiliates from and against any and all losses, claims, costs or damages of whatever nature arising from or relating to Customer's use of ELS Service in violation of this Section 3(B).

#### **4. Customer Orders and Forecasts.**

(A) **Subscriber Orders.** Customer may submit Customer Order(s) to activate a Market(s) and request anticipated DID/DOD's in Rate Centers within such Markets, (each a "Market Order"). After doing so, Customer may submit Customer Orders to activate Subscribers for use of ELS Service within Rate Centers in a Market ("Subscriber Order"). A Subscriber Order will be accepted by Level 3 through activation of the Subscriber with an assigned DID/DOD. Such activation shall constitute Level 3's acceptance of the Subscriber Order and the Connection Notice for purposes of the Agreement. If DID/DOD's are reserved for Customer following a Market Order, Level 3 may, upon electronic mail notification to Customer, reclaim up to 75% of the DID/DOD's reserved for Customer (by Rate Center) if Customer has not ordered ELS Service for Subscribers utilizing such DID/DOD's within 120 days from the date of the Market Order.

5. **Charges.** The billing plans for ELS Services and the charges associated therewith are stated in Exhibit A. Regulatory taxes and fees payable by Customer may be designated as cost recovery fees on invoices provided by Level 3. The disconnection, cancellation and termination charges stated in Exhibit A, and Customer's Revenue Commitment obligation (if any), are in lieu of any cancellation charges stated elsewhere in the Agreement. ELS calls within a Subscriber's LCA shall be treated as local calls; calls outside of a Subscriber's LCA shall be treated as ELS long-distance calls. A binding determination that such treatment is not appropriate shall be subject to the regulatory change procedures described in the Agreement. All charges associated with Subscribers and/or DID/DODs apply whether a Subscriber is using a DID/DOD provided by Level 3 or ported to Level 3. Customer shall not allow multiple Subscribers to be assigned or otherwise use any single DID/DOD, or allow any Subscriber to use ELS Service under any applicable Local Flat Rate Plan or Local and Domestic Long-Distance Flat Rate Plan for purposes other than a primary line replacement application (i.e. multiple calls will not be placed/received at the same time on the same DID/DOD). In the event Customer violates the foregoing (as reasonably determined by Level 3), in addition to the right to immediately suspend Service, Level 3 may retroactively charge Customer for (i) applicable Subscriber fees for all Subscribers using such DID/DOD and (ii) all inbound and local outbound calls at a rate of \$0.015 per minute of use ("MOU") and long-distance calls at Level 3's then current standard, or otherwise contracted, long distance usage rates.

#### **6. Customer Responsibilities.**

(A) Customer shall, at its sole cost, be responsible: (i) for providing all equipment (including SIP proxy servers), software, facilities and IP connectivity (including connectivity to Subscribers) necessary for the Customer VoIP Application and the Customer network to operate with the ELS Service and for providing and ensuring the successful installation of all equipment and software necessary for Subscribers to use services sold to it by Customer; (ii) to obtain and provide to Level 3, prior to installation of the particular ELS Service, the IP address(es) for the SIP proxy server, the Customer VoIP Application and/or any other applicable hardware/software solution; (iii) for all Subscriber Tier 1 support and (iv) for all Class 5 features, such as dial tone, call waiting and call forwarding functionality. Customer shall input, validate and maintain accurate Subscriber information (through a Level 3 provided electronic interface) so that Level 3 can provide such Customer-provided information to applicable national databases, including, Automatic Local Identification (ALI) Database, Directory Listing information, Line Information Database (LIDB) (with LIDB preferences set to not accept collect calls) and Caller ID with NAME Database (CNAM). In doing so, Customer shall deliver to Level 3 valid postal addresses that can be confirmed against the Master Street Address Guide ("MSAG"). In the event Level 3 cannot validate an address through MSAG, Customer shall, upon notification provided to Customer of the same, immediately deliver a corrected address to Level 3 that can be validated against MSAG. Customer shall advise Subscribers of Subscriber's responsibility and obligation to provide valid address information that can be verified against MSAG. Except to the extent arising directly as a result of Level 3's gross negligence or willful misconduct, Customer shall indemnify and hold harmless Level 3 and its affiliates against any and all claims and expenses resulting from the failure of Customer to comply with Customer's responsibilities under this Section 6(A).

(B) Customer shall provide Level 3 with Automatic Number Identification (ANI) for all ELS calls using ELS Service in the originating ANI field specified by Level 3. All no-ANI calls (including operator services and directory assistance calls) and all calls where the originating ANI is not an ELS TN will be treated as intra-state and/or international long distance calls (as applicable) and terminated as such at Level 3's then current standard, or otherwise contracted, long distance usage rates.

C) Customer may not use the Service in a manner that interferes with or impairs service, or the privacy of any communications over any of the facilities and associated equipment constituting Level 3's network.

(D) Customer must successfully complete operational acceptance testing of any ELS Services with the Customer VoIP application.

(E) Additional responsibilities or restrictions may be set forth in Exhibit A.

## **7. Emergency 911 Service.**

(A) Level 3 offers static 911 Services as part of the ELS Service, subject to the limitations stated herein. The static 911 Services provided herein are the static implementation of Level 3® E-911 Direct portfolio of services. Customer shall ensure that DID/DOD's are assigned to Subscribers whose primary address is within the Rate Center associated with such DID/DOD's and shall ensure that Subscribers do not use ELS Service from a location different from the Subscriber's primary address. 911 Services will not function, or will not function properly: (i) if a DID/DOD is assigned to a Subscriber located outside of the Rate Center associated with such DID/DOD; (ii) if a Subscriber attempts a 911 call from a location different from the Subscriber's address provided to Level 3 by Customer; (iii) during any disruption of power at the Subscriber location; (iv) during any disruption of Internet connectivity to the Subscriber location; (v) during any period where service to a Subscriber has been cancelled or suspended for any reason (including suspensions or cancellations for failure to pay or other default); (vi) if incorrect or invalid Subscriber address information is provided, or if such information is not updated in the event of a change in primary location; or (vii) if equipment provided to or used by the Subscriber in connection with ELS Service fails to function or is improperly (or is not) installed or configured. 911 Services will not function until correct and valid address information has been input into the appropriate database(s), which may occur shortly after initial Service activation (including following Port-Ins under Section 8(A) below.

(B) In the event that 911 Service limitations or requirements different than those stated herein are, in Level 3's reasonable opinion, necessary or advisable based on Level 3's interpretation of currently evolving 911 Service laws, rules and regulations, Customer agrees to negotiate modifications to this Section 7 as requested by Level 3, and if agreement respecting the same cannot be reached, then either party may terminate the ELS Service and this Agreement without liability.

## **8. Local Number Portability.**

(A) Porting In. Upon submission of a Subscriber Order, Customer may (in accordance with Level 3's standard operating procedures regarding LNP), including those procedures described in Level 3's then-current LNP Service Reference Guide) port a geographically relevant TN to Level 3 ("Port-In") for use with ELS Service. Customer represents and warrants that it has all necessary rights and authority necessary for any Port-In and will provide copies of letters of authority authorizing the same upon request. Except to the extent arising directly as a result of Level 3's gross negligence or willful misconduct, Customer shall indemnify, defend and hold harmless Level 3 and its affiliates for breach of the foregoing representation.

(B) Porting Out. Level 3 may receive requests to port a telephone number currently assigned to a Subscriber to a third party provider ("Port-Out"). Prior notice of Port-Outs will not be provided; Level 3 will provide a report of subsequent Port-Outs in accordance with the LNP Reference Guide. Level 3 will support valid Port Out requests in accordance with Level 3's standard operating procedures, including those procedures described in Level 3's current LNP Service Reference Guide.

## **9. Service Levels.**

(A) Availability Service Level. The Availability Service Level for this ELS is 99.9% in a 30 day month. Service is considered "unavailable" if it is unable to send or receive traffic for reasons other than an Excused Outage. An unavailability event is measured from the time Customer opens a trouble ticket with Level 3 until the affected Service is restored. In the event that Service is unavailable, Customer will be entitled to a service credit off of the Monthly Recurring Charge (MRC) for the affected Service based on the cumulative unavailability of the affected Service in a given calendar month as set forth in the following table:

Cumulative Unavailability (in hrs:mins:secs)	Service Level Credit (% of MRC)
00:00:01 - 00:43:00	0%
00:43:01 - 02:00:00	5%
02:00:01 - 04:00:00	15%
04:00:01 +	25%

(B) Voice Call Success Rate (CSR). The CSR Service Level for ELS is 99.9% per month. CSR is measured by Level 3 as a monthly average across the Level 3 network calculated based on the number of voice sessions established against the total sessions offered. In the event Level 3 does not meet the CSR Service Level for reasons other than an Excused Outage, Customer will be entitled to a service credit off of the MRC for the affected Service in the particular month as set in the following table\*:

98 – 99.90%	5%
94 – 97.99%	10%
90 – 93.99%	15%
89.99% or less	25%

\*The CSR Service Level does not apply during the 90 days following the Service Commencement Date.

(C) **Limitation.** The Service Levels stated herein do not apply to any Services which originate or terminate outside of the United States. Customer will be entitled to receive credits on only one Service Level in any calendar month (even if Level 3 fails to meet more than one such Service Level). Customer will elect which Service Level it seeks to exercise when its claim for credits is made to Level 3.

**Chronic Outage.** As its sole remedy, Customer may elect to terminate any affected Voice Service prior to the end of the Service Term without termination liability if, for reasons other than an Excused Outage, the Service is "unavailable" (as defined in subpart A immediately above) for more than 1 consecutive hour in 3 consecutive calendar months, or for more than 24 hours in the aggregate in any calendar month. The termination right must be exercised within 30 days of the event giving rise to it.

**10. Fraudulent Calls.** Customer shall be responsible for paying Level 3 for all charges for Service, even if incurred as a result of fraudulent or unauthorized use. In the event Level 3 discovers or reasonably believes fraudulent calls being made, Level 3 may take immediate action that is reasonably necessary to prevent such fraudulent calls from taking place, including without limitation, denying Service to particular Automatic Number Identifiers (ANIs) or terminating Service to or from specific locations. Level 3 shall use reasonable efforts to notify Customer in the event Level 3 takes action upon discovery of fraudulent calls. In the event Customer discovers or reasonably believes fraudulent calls being made, Customer shall notify Level 3 as soon as possible at 1-800-348-5457.

#### **11. Special Termination Rights.**

(A) Notwithstanding the Revenue Commitment and applicable pricing set forth in Exhibit A, if Customer, in its reasonable belief, is unable to terminate that certain Services Agreement by and between Customer and Customer's current third party VoIP provider, dated June 23, 2014 ("Services Agreement"), Customer may elect (at its option) to terminate all on-net ELS Service provided to Customer pursuant to this Service Schedule without incurring charges as detailed in this Service Schedule, by providing Level 3 prior written notice of such election, except that Customer agrees to pay for the Services provided under this Service Schedule up to the date such termination occurs, if any.

(B) Customer represents to Level 3 that this Service Schedule may be required for Customer to satisfy certain conditions of the Loan and Security Agreement dated August 22, 2013, entered into between Customer and the Rural Utilities Service ("RUS"), a branch of the USDA ("Loan"), and if upon RUS' review of the Service Schedule, RUS requires modifications, deletions, or additions to the Service Schedule for purpose of the Loan conditions, then Level 3 and Customer hereby agree to work in good faith to satisfy any applicable RUS request. If the parties are unable to agree to terms associated with said RUS request(s) within 30 days from the date that Level 3 is notified of such request(s), then Customer shall have the right to terminate the Service Schedule upon 30 days prior written notice to Level 3 and such termination may only be subject to: (i) all amounts unpaid by Customer for Service actually provided, (ii) any documented termination liability actually payable to third parties by Level 3 resulting from the termination, and (iii) any out of pocket costs incurred in constructing facilities to the extent such construction was undertaken only to provide Services to Customer.

EXHIBIT A  
PRICING  
**RATES FOR LEVEL 3® VOIP ENHANCED LOCAL SERVICE**  
**Local and Long-Distance Usage Plan (Wholesale)**  
(Version Issue Date: March 14, 2012; OPTION 3)

**(A) Resale; Restrictions; Responsibilities:**

1. Customer may only resell Services in accordance with this Exhibit A and the ELS Service Schedule. Unless otherwise agreed, Resellers must place all orders through Customer, and Customer shall remain Level 3's customer of record. Customer may pass on its obligations under Section 6(A) of the ELS Service Schedule to Resellers, but all information required to support ELS Service shall be supplied to Level 3 by Customer.
2. To assist in the delivery of ELS Service, Customer will provide Level 3 with a non-binding forecast setting forth Customer's estimated forecasted usage and DID/DOD quantities for ELS Service by Market or local calling area (LCA) and anticipated LNP requests. The forecast shall be provided within no later than commencement of the initial Service and updated on a calendar quarter basis thereafter. Where Customer purchases multiple Services from Level 3 requiring LNP forecasts, such forecasts shall be submitted simultaneously, segregated by Service.
3. Customer shall not allow multiple Subscribers to be assigned or otherwise use any single DID/DOD, or allow any Subscriber to use ELS Service under this Pricing Option I for purposes other than a primary line replacement application (i.e. multiple calls will not be placed/received at the same time on the same DID/DOD). In the event Customer violates the foregoing (as reasonably determined by Level 3), in addition to the right to immediately suspend Service, Level 3 may retroactively charge Customer for (i) applicable Subscriber fees for all Subscribers using such DID/DOD, (ii) all inbound and local outbound calls at a rate of \$0.015 per minute of use ("MOU"), and (iii) long-distance calls at Level 3's then current standard, or otherwise contracted, long distance usage rates.
4. Customer shall input, validate and maintain accurate Subscriber information, including Reseller Subscriber information (through a Level 3 provided electronic interface) so that Level 3 can provide such Customer-provided information to applicable national databases, including, Automatic Local Identification (ALI) Database, Directory Listing information, Line Information Database (LIDB) (with LIDB preferences set to not accept collect calls) and Caller ID with NAME Database (CNAM). In doing so, Customer shall deliver to Level 3 valid postal addresses that can be confirmed against the Master Street Address Guide ("MSAG"). In the event Level 3 cannot validate an address through MSAG, Customer shall, upon notification of the same, immediately deliver a corrected address to Level 3 that can be validated against MSAG. Customer shall advise Subscribers, and shall require Resellers to advise its Subscribers, of Subscriber's responsibility and obligation to provide valid address information that can be verified against MSAG. Except to the extent arising directly as a result of Level 3's gross negligence or willful misconduct, Customer shall indemnify and hold harmless Level 3 and its affiliates against any and all claims and expenses resulting from the failure of Customer or Resellers to comply with Customer's responsibilities under this Section 4.
5. Customer shall not and shall require Resellers not to: (a) re-classify or re-originate traffic or take any other action to make traffic appear as if it: (i) is anything other than the type of traffic delivered to such party (including but not limited to making TDM originated traffic appear to be IP originated) or (ii) originated from a place or on a type of equipment different from the place or type of equipment from where it, in fact, originated; or (b) modify, alter or delete in any manner calling party number information, originating point codes or any other signaling information, or call detail in connection with the transport and termination of traffic to the called party. In addition to Level 3's other rights and remedies for violation of this section, Level 3 may treat such calls as intra-state and/or international long distance calls (as applicable) and terminate as such at Level 3's then current standard, or otherwise contracted, long distance usage rates.
6. Customer's agreements with Subscribers shall contain and Customer shall require each of its Resellers agreements with its Subscribers to contain, the following: (i) an explanation of the limitations on the functionality of 911 Services as set forth in Section 7(A) of the ELS Service Schedule; and (ii) a release in favor of Customer (or Reseller, as applicable) and all of its underlying suppliers (including Level 3 and its affiliates) relating to claims arising out of the failure of 911 Services to function properly for the reasons set forth in Section 7(A) of the ELS Service Schedule. Level 3 reserves the right, with Customer's consent, to notify Subscribers of the limitations on functionality through means identified and agreed by Customer and Level 3.

**(B) Pricing Term:** The pricing stated herein shall be valid for thirty (30) months from the Effective Date hereto, after which it is subject to change on five (5) days written notice to Customer.

**(C) Charges:** The charges for the Local and Domestic Long-Distance Usage Rate Plan are listed below. This plan may be used for residential primary line replacement Subscribers and does not include International long-distance service. ELS provided under this pricing plan may be used for non-residential use only to the extent it is used as a primary line replacement for business purposes. ELS may not be used for any call center applications, call blasting or other mass calling or mass faxing applications (or similar applications).

1. **Non-Recurring Charges:** All Non-Recurring Charges set forth in this subsection 1 (A) – (F) shall not apply for the first twelve (12) months after the Effective Date hereto. For the avoidance of doubt and notwithstanding any provisions herein to the

contrary (e.g., subsection 1(B)(iii)), the Non-Recurring Charges set forth herein shall apply beginning in the thirteenth (13th) month after the Effective Date hereto for all charges incurred beginning in the thirteenth (13th) month after the Effective Date.

- (A) Non-Recurring Subscriber Activation Charge: **\$5.00 per TN**  
NRC to be paid by Customer for each Subscriber activation.
- (B) LNP Non-Recurring Charges:
- (i). Standard Non-Recurring LNP Charge: **\$5.00 per TN**  
NRC to be paid by Customer for each TN ported to Level 3.
- (ii). Alternative LNP Charge: **\$1.80 per TN**  
NRC to be paid by Customer on a LNP Project basis (including LSP Projects and Complex LNP Requests) of 50 or more TNs.
- (iii). Standard Non-Recurring LNP charge and Alt. LNP Promotion: Commencing upon the first full billing cycle following the Effective Date and continuing for one hundred eighty (180) days thereafter (the "Promotion Period"), the Standard Non-Recurring LNP charge and Alt. LNP Non-Recurring Charge above (the "Waived Charge") shall be temporarily waived. Upon the conclusion of the Promotion Period, the Waived Charge shall be reinstated and Customer shall be charged accordingly.
- (C) Non-Recurring Subscriber Order Change Charge: **\$15.00 per LSR change transaction**  
**\$5.00 per non-LSR change transaction**
- NRC to be paid by Customer in the event that Customer requests a Subscriber related change (and such change is accepted by Level 3) to ELS Service following Level 3's acceptance of the applicable Customer Order. Certain Subscriber related changes may require Level 3 (or a third party on behalf of Level 3) to issue a Line Service Record (LSR) containing Subscriber information to a third party provider. Changes requiring LSR include, without limitation, porting of telephone numbers and directory listing changes. Changes not requiring LSR include, without limitation, Primary Interexchange Carrier (PIC) change.
- (D) Non-Recurring Subscriber Disconnect Charge: **\$9.00 per Subscriber**  
NRC to be paid by Customer for each Subscriber disconnect or port-out.
- (E) Non-Recurring Market Install Fee: **\$60.00 per Market**  
NRC to be paid by Customer for each new rate center market for Level 3 where Customer orders ELS Service.
- (F) Non-Recurring Charge for Cancelled LNP Requests:
- (i) Standard LNP cancellation fee: **\$6.00 per TN**
- (ii) Expedited Cancels (cancellations within 48 hours of the FOC): **\$75.00 per TN**  
(which includes the Standard LNP cancellation fee plus a \$69.00 expedite fee).
- (iii) For all Customer-Initiated Snapbacks (where Level 3 can accommodate the same):  
**\$300.00 per TN, in addition to the standard Non-Recurring Subscriber Activation Charge.**

## 2. Monthly Recurring Charges:

- (A) Monthly Recurring Enhanced Local Service Fee (Subscriber Charge per TN) for Usage Plan: **\$0.51 per TN**
- MRC per Subscriber to be paid by Customer for each Subscriber under the Local and Long-Distance Usage Plan in a particular month (or pro-rata portion for Subscribers activated or disconnected during such month).

## 3. Usage Charges:

- (A) Usage Charges for Local Calling under the Local and Long Distance Usage Plan: **\$0.0085 per minute in Tier 1 Markets**  
**\$0.0085 per minute in Tier 2 & 3 Markets**

Usage charge to be paid by Customer for each minute of usage under the Local Usage Plan in a particular month. Minutes of use are billed in six (6) second increments.

- (B) Usage Charges for Long-Distance Calling under the Local and Long Distance Usage Plan. The charges for long-distance under the Local and Long-Distance Usage Plan are a per minute usage charge, billed at Level 3's standard long-distance rates. All long-distance usage by Customer shall be billed under this plan. Level 3 may change the rates for this plan upon five (5) business days' prior written notice to Customer. Current billing increments are as follows:

Called To Destination	Initial Billing Increment (seconds)	Additional Billing Increments (seconds)
U.S. Domestic	6	6
Alaska and Hawaii	6	6
International (excluding Alaska, Hawaii and Mexico)	30	6
Mexico	60	60

**4. Other Charges:**

(A) Directory Assistance: **\$0.52 per call**

(B) Directory Assistance Call Completion: **\$0.20 per call**  
Usage charge for calls completed using Directory Assistance **\$0.06 per MOU**

(C) Operator Assistance  
Operator Assisted Dialing (no third party billed service): **\$0.58 per call**  
Person to person calls **\$2.50 per call**  
Usage charge for calls completed using Operator Assistance **\$0.06 per MOU**

**(D) Revenue Commitment:** Commencing on the first full billing cycle following the Ramp Period (defined herein) and continuing through the longer of: (i) 30 months or (ii) as long as Customer continues to receive ELS, Customer commits to have no less than \$3,000 in monthly invoiced charges for Monthly Recurring Subscriber Charges and Usage Charges (the "Revenue Commitment"). The Revenue Commitment is a take-or-pay commit. Customer shall pay the higher of (i) Customer's actual invoiced Monthly Recurring Subscriber Charges and Usage Charges or (ii) the Revenue Commitment. Customer is obligated for 100% of the Revenue Commitment and is not responsible for any separate cancellation charges for ELS. For purposes herein, the "Ramp Period" shall mean the Initial Ramp Period and Additional Ramp Period, as applicable and as defined herein. The "Initial Ramp Period" shall mean the period commencing on the Effective Date herein and expiring six (6) months thereafter. The "Additional Ramp Period," if any, shall mean the period commencing on the expiration of the Initial Ramp Period and expiring up to six (6) months thereafter. Prior to the expiration of the Initial Ramp Period, Customer may, at its option, elect to extend the Ramp Period for up to an additional six (6) months, by providing written notice to Level 3 at least 30 days prior to the expiration of the Initial Ramp Period.

# Northeast Rural Services, Inc. - First Amendment to Master Ser vice Agreement

Adobe Sign Document History


01/03/2017

Created:	01/03/2017
By:	Level 3 Legal Signature (contractcountersignature@level3.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAnnL1-euJ3tmbI5iLhUHNzcCWW1zHjmsw


## "Northeast Rural Services, Inc. - First Amendment to Master Ser vice Agreement" History

 Document created by Level 3 Legal Signature (contractcountersignature@level3.com)


01/03/2017 - 3:59:38 PM MST- IP address: 209.244.4.106

 Document emailed to Samantha Leapley (samantha.leapley@level3.com) for signature


01/03/2017 - 4:00:09 PM MST

 Document viewed by Samantha Leapley (samantha.leapley@level3.com)

01/03/2017 - 7:57:10 PM MST- IP address: 107.77.199.52

 Document e-signed by Samantha Leapley (samantha.leapley@level3.com)

Signature Date: 01/03/2017 - 7:57:43 PM MST - Time Source: server- IP address: 107.77.199.52

 Signed document emailed to Samantha Leapley (samantha.leapley@level3.com) and Level 3 Legal Signature (contractcountersignature@level3.com)

01/03/2017 - 7:57:43 PM MST





## AMENDMENT TO MASTER SERVICE AGREEMENT

This Amendment to Master Service Agreement (this "Amendment") is entered into as of the date of last signature below by and between **LEVEL 3 COMMUNICATIONS, LLC** ("Level 3") and **NORTHEAST RURAL SERVICES, INC.** ("Customer") and modifies that certain Master Service Agreement between the parties dated November 3, 2015 (as amended or otherwise modified to date, the "Agreement"). Capitalized terms used but not defined herein shall have the meaning set forth in the Agreement.

WHEREAS the parties entered into the Agreement for the provision of certain communications services by Level 3 to Customer, including Level 3 Enhanced Local Service ("ELS") pursuant to that certain Service Schedule for Level 3 Enhanced Local Service (the "ELS Service Schedule");

WHEREAS the parties wish to modify certain terms of the Agreement relating to 911/E911 service;

NOW THEREFORE, the parties hereby agree to modify the terms of the Agreement in the following limited respects:

1. Modifications of ELS Service Schedule with regard to 911/E911.

a. The following is added as a new sentence to the end of Section 1 of the ELS Service Schedule:

"Any and all 911 Service provided by Level 3 pursuant this Service Schedule or incident to the provision of any Level 3 Service is provided by Level 3 Communications, LLC pursuant to applicable tariff."

b. The following is added as a new Section 6(F) to Section 6 of the ELS Service Schedule as follows:

"(F) Customer agrees to use Level 3 or a Level 3 approved provider of 911 Service exclusively to support any 911 Services Customer offers to its Subscribers or other end users in relation to any Service provided hereunder. Pursuant to this section, should Customer desire to use a non-Level 3 approved provider to support any 911 Services Customer offers to its Subscribers or other end users, Customer shall submit a written request to Level 3 identifying the provider Customer intends to utilize and Level 3 shall promptly respond to Customer's request (within 10 business days), approving or rejecting Customer's proposed provider."

c. The following phrase is added to the beginning of Section 7(A) of the ELS Service Schedule: "Except as set forth in Section 7(C) below, ..."

d. The following is added as a new Section 7(C) to Section 7 of the ELS Service Schedule:

"(C) When placing a Subscriber Order, Customer shall elect either: (i) "Static" 911 functionality or (ii) "Customer Provided" 911 functionality; provided that Customer will be solely responsible for any errors related to such election. All "Static" 911 functionality is provided as part of the ELS Service, subject to the terms and conditions stated in this Service Schedule and pursuant to applicable tariffs. All "Customer Provided" 911 functionality is provided solely by Customer (or Customer's third party agent(s)), subject to the following terms and conditions:

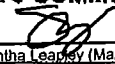
- 1) Customer acknowledges that 911 functionality must be provided to Subscribers and end users as part of the services sold by Customer incorporating the ELS Service.
- 2) Customer desires to obtain or provide 911 functionalities through vendors other than Level 3, and shall be solely responsible for the provision of 911 Service and functionality to Customer's Subscribers, and all components thereof, including but not limited to, the delivery of all 911 calls, automatic number identification and the caller's registered location (as defined in 47 C.F.R. §9.3) for each call, via the dedicated Wireline E911 network (as defined in 47 C.F.R. §9.3) to the public safety answering point ("PSAP"), designated statewide default answering point, or appropriate local emergency authority that serves the caller's registered location. Customer shall comply with all applicable

laws regarding the provision of 911 Service to its Subscribers, including but not limited to the requirements of 47 C.F.R. §§9.1 – 9.7 relating to the provision of 911 Service by interconnected VoIP service providers, including the (i) collection and updating of registered location, (ii) provision of required customer notifications, and (iii) retention of associated records. Level 3 shall not provide E911 Service or 911 Service or any of its components to Customer, Customer's Subscribers or any end users as part of the ELS Service.

- 3) Customer acknowledges and agrees that Level 3 shall have no liability to Customer or any third party for Customer's failure to provide 911 functionality to a particular Subscriber or end user.
- 4) Customer represents and warrants to Level 3 that Customer has the legal, financial and technical expertise to provide 911 functionality to all Subscribers and end users, and that Customer will comply with all applicable laws and regulations relating to the provisioning of 911 functionality.
- 5) Customer shall provide all Tier 1 support regarding PSAP inquiries made with respect to any "Customer Provided" 911 functionality provided by Customer, and any inquiries to Level 3 respecting the same may be forwarded for immediate response by Customer to # 918-256-6405 (insert Customer phone number).
- 6) Customer shall indemnify, defend and hold harmless Level 3 and its affiliates against any and all claims and expenses relating to or arising from Customer's obligations set forth in this Section 7(C)."

2. Additional Terms Unaffected. All other terms and conditions set forth in the Agreement shall remain in full force and effect, except as modified by the terms of this Amendment.

LEVEL 3 COMMUNICATIONS, LLC

By:   
Samantha Leapley (Mar 28, 2017)

Name: Samantha Leapley

Title: Vice President, Legal

Date: Mar 28, 2017

NORTHEAST RURAL SERVICES, INC.

By: 

Name: Anthony D. De

Title: CEO

Date: 3 27-2017

## SECOND AMENDMENT TO MASTER SERVICE AGREEMENT

THIS SECOND AMENDMENT TO MASTER SERVICE AGREEMENT ("Amendment") is entered into as of the date of last signature below (the "Second Amendment Effective Date"), by and between **Level 3 Communications, LLC** ("Level 3") and **Northeast Rural Services, Inc.** ("Customer"), and modifies that certain Master Service Agreement entered into by the Parties as of November 3, 2015 and as subsequently amended (the "Agreement"). Level 3 and Customer may be referred to herein collectively as the "Parties" and individually as a "Party." Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Agreement.

WHEREAS, the Parties entered into the Agreement for the provision of certain communications services provided by Level 3 to Customer;


WHEREAS, the Parties wish to revise the Agreement as further described herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to modify the Agreement as follows:

1. **Service Schedule.** The following Service Schedule is attached to and made a part of the Agreement:
  - (a) **LEVEL 3® TOLL FREE SERVICE**
2. **Counterparts.** This Amendment may be executed in one or more counterparts, all of which taken together shall constitute one instrument. Digital signatures and electronically exchanged copies of signed documents shall be sufficient to bind the parties to this Amendment.
3. **Entire Agreement.** This Amendment sets forth the parties' complete and final agreement with respect to the matters addressed herein and can only be modified in a writing signed by both parties. All terms and conditions set forth in the Agreement shall remain in effect, except as modified by this Amendment.

By signing below, each party acknowledges that it has read, understood, and accepts the terms and conditions contained in this Amendment as of the Amendment Effective Date.

**Level 3 Communications, LLC**  
("Level 3")

By:   
Samantha Leapley (Aug 18, 2017)

Name: Samantha Leapley

Title: Vice President, Legal

Date: Aug 18, 2017

**Northeast Rural Services, Inc.**  
("Customer")

By: 

Name: Sheila Allgood

Title: Manager

Date: 8/17/2017

**SERVICE SCHEDULE**  
**LEVEL 3® TOLL FREE SERVICE**  
(Version Issue Date: February 28, 2012)

1. **Applicability.** This Service Schedule is applicable only where Customer orders Level 3® Toll Free Service. Level 3 Toll Free Service may be designated as Carrier Toll Free Service, VoIP Toll Free Transport and/or Access Direct<sup>SM</sup> Plus VoIP Toll Free Transport Service in customer orders, order acceptance, service delivery, billing (and related) documents.

2. **Definitions.** Any capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Agreement.

"Customer Voice Application" means the voice application (either TDM or IP) provided and used by Customer in connection with Level 3 Toll Free Service.

"IP" means Internet Protocol.

"LATA" means Local Area Transport Area.

"NADP" means the North American Dialing (or Numbering) Plan.

"Network Ready" means that Customer has completed successfully interoperability testing for the applicable Customer Voice Application.

"PSTN" means the public switched telephone network.

"Responsible Organization" means the party hereto that is responsible for managing and administering the account records in the Toll-free Service Management System Data Base.

"Toll Free Number" or "TFN" means a telephone number that supports NADP or international toll free dialing plan and is assigned by Level 3 to Customer or that Customer ports to Level 3 for use with the Level 3 Toll Free Service.

"Toll Free Usage" means Customer's monthly aggregate usage of Level 3 Toll Free Service.

"TDM" means Time Division Multiplexing available via SS7 and ISDN PRI.

3. **Service Description.** Level 3 Toll Free Services include (i) IP Toll Free Service; (ii) Switched Toll Free Service; and (iii) Dedicated Toll Free Service (each as described below). As used herein, Switched Toll Free Service and Dedicated Toll Free Service may be referred to collectively as "TDM Toll Free Service."

(A) IP Toll Free is an IP termination service for PSTN originated calls using TFNs. Level 3 will deliver voice traffic to Customer using TFNs through a net protocol conversion to an IP format via Session Initiation Protocol ("SIP") signaling using G711 or G-729A voice encoding.

(B) Switched Toll Free is a switched TDM Toll Free service that originates and terminates calls on the PSTN.

(C) Dedicated Toll Free is a TDM Toll Free service that originates calls from the PSTN and terminates to a dedicated facility via SS7 or PRI ISDN.

(D) **Toll Free Numbers.** Customer shall make reasonable efforts to provide Level 3 on an ongoing quarterly basis, with a non-binding demand forecast setting forth Customer's estimated usage (on a total minutes of use basis) and Toll Free Number quantities to facilitate Level 3's planning efforts in support of Customer. Customer shall deliver such quarterly forecasts to its Level 3 account team (or to such other address provided by Level 3 to Customer from time to time). Level 3 will exercise commercially reasonable efforts, but shall not be obligated, to gain access to Toll Free Number quantities to support the Service.

(E) **Customer Premise Equipment ("CPE").** As part of the Customer Toll Free Application, Customer shall provide at its own expense, all hardware and software necessary for the particular Customer Voice Application to interoperate with Level 3 Toll Free Service and the Level 3 network. Customer shall be responsible for obtaining and providing to Level 3, prior to installation of the particular Level 3 Toll Free Service, the public IP address(es), as applicable, for the Customer Toll Free Application.

(F) **Dedicated Internet Connection.** Customer is required to interconnect the Customer Voice Application with Level 3 Toll Free Service via (x) the public Internet through interconnection with a peering partner of Level 3 or (y) a Fixed Rate Level 3 High Speed IP Service ordered separately from Level 3; provided, however, that Customer shall have the right to terminate (without termination liability) any Fixed Rate Level 3 High Speed IP Service that is solely used and dedicated to Level 3 Toll Free Services.

4. **Interoperability Testing.** Customer shall not utilize Level 3 Toll Free Service until Level 3 provides Customer with a "Network Ready" confirmation. For purposes hereof, "Network Ready" refers to Level 3's confirmation that Customer has successfully completed interoperability testing for each Customer voice connection utilized by Customer to connect to the Level 3 network. Level 3 and

Customer shall conduct jointly the required interoperability testing during the Level 3 Service activation process to ensure Customer's call flows can be supported by the Level 3 network. Level 3 may terminate (without liability) Level 3 Toll Free Service where Customer fails to obtain a Network Ready confirmation.

**5. Customer's Responsibilities.** Level 3 Toll Free Service is intended for use as an inbound-only service and does not include outbound calling services or 911 or other emergency service capabilities. Customer is strictly prohibited from using (or reconfiguring to support such use) either Level 3 Toll Free Service or any TFN obtained through purchase of the Service in connection with any (i) outbound calls placed by Customer or Customer's end users, call types that would result in Level 3 incurring charges via a reverse billing process, (ii) routing to a 800, 911 (including other emergency service calls), SMS database, information service calls, directory assistance calls or the like, (iii) mass calling events, excessive non-completed and invalid calls and failed calls due to inadequate Customer trunking (subparts (i), (ii) and (iii) collectively, "Improper Calls"). Level 3 may take immediate action to prevent Improper Calls from taking place, including without limitation, denying any Level 3 Toll Free Service to particular ANIs or terminating any Level 3 Toll Free Services to or from specific affected locations. Additionally, to the extent that Customer uses or configures the Service to place outbound calls, Level 3 shall charge Customer for any such outbound calls at Level 3's then current rates for Level 3 Voice Termination Service. Customer shall indemnify and hold harmless Level 3, its officers, employees, agents and affiliates from and against any and all losses, claims, costs or damages of whatever nature arising from or relating to Customer's use of Level 3 Toll Free Service in violation of this Section 5.

**6. Regulatory Matters.** In the event that any calls placed to Customer via Level 3 Toll Free Service contain a privacy indicator imposed by the originating telephone subscriber, Level 3 will provide call detail information to Customer, notwithstanding the privacy indication, provided that Customer agrees (by virtue of this Service Schedule) as follows:

(A) Customer will use the originating telephone number and billing information for billing and collection, routing, screening and completion of the originating telephone subscriber's call or transaction;

(B) Customer is prohibited from reusing or selling the originating telephone number or originating telephone subscriber billing information without first notifying the originating telephone subscriber and obtaining affirmative written consent of such subscriber for such reuse or sale; and

(C) Except as permitted in (A) or (B) above, Customer is prohibited from using any information derived from ANI for any purpose other than (i) performing services or transactions that are the subject of the originating subscriber's telephone number, (ii) ensuring network performance, security and the effectiveness of call delivery, (iii) compiling, using, and disclosing aggregate information, and (iv) complying with applicable law or legal process.

## **7. Charges.**

(A) The charges for Level 3 Toll Free Service are comprised of Level 3's then current Toll Free Service usage rates for voice traffic, as well as monthly recurring charges and nonrecurring charges, all as described in Customer Quote. Upon Customer's request and as stated in an Order, Level 3 will attempt to block calls to Customer TFNs originating from payphones, but acknowledges that Level 3 cannot guarantee that all such calls can be blocked. Usage charges are based on actual usage of Level 3 Toll Free Service and begin when the called party answers, as determined by answer supervision, and end when either party disconnects the call. If answer supervision does not detect an answer, Level 3 may disconnect the call (normally after 150 seconds) and bill the call for 120 seconds.

(B) The current billing increments for Level 3 Toll Free Services are set forth in the table below. All partial increments shall be rounded up to the next increment.

Originating Destination	Initial Billing Increment (seconds)	Additional Billing Increments (seconds)
48 contiguous United States, Alaska, Hawaii, Puerto Rico, US Virgin Islands, Guam and Saipan	6	6
International Toll Free (Except Mexico)	30	6
Mexico	60	60

Any partial billing increment shall be rounded-up to the next interval.

(C) **Rate Adjustments.** Customer's rates, charges, surcharges, discounts and billing increments for Alaska, Hawaii, Puerto Rico, US Virgin Islands, Guam and Saipan are subject to change upon 5 days' notice by Level 3 to Customer. All other Toll Free Service rates, charges, surcharges, discounts, billing increments and non-recurring charges are subject to change upon 7 days' notice by Level 3 to Customer; provided that Customer may terminate the affected Level 3 Toll Free Service without termination liability by delivering written notice of termination no later than thirty (30) days after the effective date of the rate increase. Rate changes may be provided by electronic mail to the following e-mail address: [dean@baltfiber.com](mailto:dean@baltfiber.com) and shall be deemed received when sent by Level 3 in accordance with the above.

8. **Traffic Jurisdiction Determination.** If Level 3 provides any Level 3 Toll Free Service for which the rates or other terms and conditions depend on the jurisdictional nature (interstate including international and intrastate) of Customer traffic, Level 3 may determine the jurisdiction of such traffic based on call detail information. Where required by applicable law/regulation or upon Level 3's request if Level 3 cannot determine the jurisdiction of traffic based on call detail information, Customer shall determine the percentage of interstate (including international) and intrastate minutes of use (PIU) for such traffic and promptly provide Level 3 with a written Traffic Jurisdiction Certification of such percentage, in a form acceptable to Level 3. Customer shall, upon written request, provide Level 3 with information necessary to verify the accuracy of its PIU. Notwithstanding the foregoing, Level 3, in its sole and absolute discretion, shall determine the jurisdiction of any traffic sent to Level 3 and bill said traffic at the appropriate rates based upon Level 3's determination of actual interstate/intrastate use. Customer shall indemnify and hold Level 3 harmless for any claims, expenses or charges arising out of Level 3's use of an inaccurate PIU supplied by Customer. If the jurisdiction of more than 10% (which percentage is subject to change on 30 days' prior notice by Level 3 (which Level 3 may provide by electronic mail)) of Customer's Level 3 Switched Toll Free Service traffic in a LATA cannot be determined by either call detail information or PIU in accordance with the foregoing, all traffic exceeding such percentage will be billed at intrastate rates (regardless of Customer's PIU).

9. **Porting.** In the event Customer elects to port any Toll Free Number (a "Porting Number") supported by Level 3 Toll Free Service under the terms of this Service Schedule, Customer agrees that until such time as the Porting Number is fully ported and no further traffic for such Porting Number traverses the Level 3 network, Customer shall remain bound by the terms of this Service Schedule and the Agreement (including, without limitation, Customer's obligation to pay for the applicable Level 3 Toll Free Service) for any and all traffic which remains on the Porting Number. Porting by Customer of Toll Free Numbers pursuant to this Section 9 shall in no event relieve Customer of its obligations hereunder, including any financial or usage commitments associated with Level 3 Toll Free Service.

10. **Change of Responsible Organization.** Unless otherwise provided for herein, Level 3 is the Responsible Organization for TFNs. Level 3 may receive requests from Customer or a third party provider to remove Level 3 as the Responsible Organization for a TFN, and Level 3 will support all such valid requests in accordance with Level 3's standard operating procedures. Customer represents and warrants that it has all necessary rights and authority necessary for any change in Responsible Organization, will provide copies of letters of authority authorizing the same upon request (and in the format requested by Level 3) and shall indemnify, defend and hold harmless Level 3 and its affiliates from any third party claim related to or arising out of any such change (or request for such a change).

11. **Commitments and Minimum Usage Requirements.** The following usage commitments are in addition to, and not in lieu of, any minimum commitments made under the Agreement:

(A) Where Customer is using a TDM interface to interconnect to Level 3, Customer's dedicated ports (as stated in the applicable Customer Order(s)) must have minimum usage charges of \$750 per month per DS-1 and \$7,500 per month per DS-3 for Toll Free traffic sent across such ports (determined on a monthly aggregate basis as provided below). Taxes and fees payable under the Agreement for Toll Free Service do not contribute. Minimum usage will be determined by Level 3 by totaling all contributing Toll Free usage charges for traffic sent by Customer across all of Customer's TDM interfaces, and comparing that total to the sum of all usage minimums (per DS-1 and DS-3) as stated above. If total contributing usage is less than the total commitment, Customer will be billed and shall pay Level 3 a shortfall fee equal to the difference. Further, Level 3 reserves the right to monitor usage across each TDM interface and, if usage drops below 10,000 minutes of usage per month on a DS-1 or 150,000 minutes of use per month on a DS-3 for 2 consecutive months, Level 3 may give Customer 30 days written notice that the relevant DS-1/DS-3 will be disconnected by Level 3 and Customer will be responsible for any associated LEC termination liability.

(B) Where Customer is using an IP interface to interconnect to Level 3, Customer shall maintain a minimum usage level of IP Toll Free equal to 1500 minutes of use per month per SIP Session allocated by Level 3 ("Monthly Minimum IP Interface Usage"). Level 3 reserves the right to monitor usage across each IP interface and, if Customer's monthly usage per SIP session is less than the Monthly Minimum IP Interface Usage, Level 3 may either charge a shortfall fee of \$25.00 per underutilized SIP session or disconnect (without liability) Customer's relevant SIP sessions on 15 days' prior written notice.

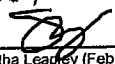
### TELEPHONE NUMBER UP FRONT ADDENDUM

This Telephone Number Up Front Addendum ("TNUF Addendum") is entered into by and between Level 3 Communications, LLC ("Level 3") and Northeast Rural Services, Inc. ("Customer") and shall take effect upon full execution by the parties (the "Addendum Effective Date") and amends that certain Master Service Agreement between the parties dated November 3, 2015, as amended (the "Agreement"), in the following limited respects related to Customer's purchase of Level 3® VoIP Enhanced Local Service ("ELS") from Level 3. Customer and Level 3 agree as follows:

1. Upon customer's written request, and subject to the terms of this TNUF Addendum and the other terms of the Agreement related to ELS, Level 3 agrees to provide Customer with DID/DODs ("TNs") in advance of Customer placing a Subscriber Order for such TNs solely for the purpose of enabling Customer's pre-provisioning process.
2. While Customer may load these TNs within Customer's switches, systems or network, Customer may not use or allow its Subscribers or others to use the TNs without first appropriately activating the TN by placing a Subscriber Order with Level 3 for such TN and providing all required information as set forth in the Agreement.
3. ELS, including but not limited to 911 Services provided by Level 3 in association with ELS, will not function or will not function properly unless and until Customer places a Subscriber Order and provides Level 3 with all relevant information as detailed in the Agreement to enable Level 3 to appropriately activate the TNs.
4. Any violation of this TNUF Addendum by customer shall be considered a material breach of the Agreement. Level 3 shall have no liability for any use of the TNs in violation of this TNUF Addendum and Customer will indemnify, defend, and hold Level 3 harmless from any and all claims, causes or damages that occur related to Customer's violation of these terms.
5. The amount of TNs Customer can order from Level 3 and keep in an inventory status shall not exceed 20% of their active/assigned TNs.
6. Level 3 may cease providing TNs in advance of the placement of Subscriber Orders by Customer in Level 3's sole discretion upon written notice to Customer.
7. In addition to Level 3's other rights and remedies set forth in the Agreement, in the event that Customer uses or allows TNs to be used in violation of this TNUF Addendum and the Agreement, Level 3 may reclaim such TNs and/or charge Customer and Customer shall pay a rate of \$0.015 per minute of use on such TNs.
8. Except as modified above, the Agreement remains unaltered, and in full force and effect.

The foregoing terms are agreed to by the parties.

Level 3 Communications, LLC  
("Level 3")

By   
Samantha Leapley (Feb 15, 2017)

Name: Samantha Leapley

Title: Vice President, Legal

Date: Feb 15, 2017

Northeast Rural Services, Inc.  
("Customer")

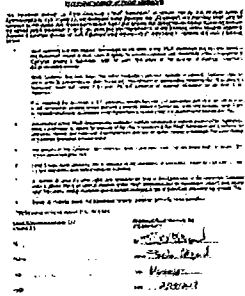
By 

Name: Sheila Allgood

Title: Manager

Date: 2/14/2017










# Northeast Rural Services, Inc. - Telephone Number Up Front Addendum

Adobe Sign Document History

02/15/2017

Created:	02/15/2017
By:	Level 3 Legal Signature (contractcountersignature@level3.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAW2Ujnlj2oe6lOA4JuX0nBkS-DF4aHd2L

## "Northeast Rural Services, Inc. - Telephone Number Up Front Addendum" History

-  Document created by Level 3 Legal Signature (contractcountersignature@level3.com)  
02/15/2017 - 10:41:26 AM MST - IP address: 209.244.4.106
-  Document emailed to Samantha Leapley (samantha.leapley@level3.com) for signature  
02/15/2017 - 10:41:57 AM MST
-  Document viewed by Samantha Leapley (samantha.leapley@level3.com)  
02/15/2017 - 2:51:56 PM MST - IP address: 209.244.4.106
-  Document e-signed by Samantha Leapley (samantha.leapley@level3.com)  
Signature Date: 02/15/2017 - 2:52:24 PM MST - Time Source: server - IP address: 209.244.4.106
-  Signed document emailed to Samantha Leapley (samantha.leapley@level3.com) and Level 3 Legal Signature (contractcountersignature@level3.com)  
02/15/2017 - 2:52:24 PM MST

**Telecommunications Carrier Code of Conduct  
Kansas Corporation Commission**

As a provider of telecommunications services in the state of Kansas, Applicant, by and through its undersigned officer, commits to comply with the following:

- If applying for certification to provide local telecommunications service, provide:  
Access to 911 and E911 services;  
White page directory listings;  
Access to telephone relay services;  
Access to directory assistance;  
Access to operator services;  
  
Equal access to interLATA long distance carriers;  
Free blocking of 900- and 700-type services  
Interconnection on a nondiscriminatory basis with other local exchange carriers
- If requesting Eligible Telecommunications Carrier (ETC) designation, provide all applicable federal Lifeline discounts.
- Follow all applicable Commission rules and regulations.
- Maintain required registration with the Office of the Kansas Secretary of State. To contact the Kansas Secretary of State: Memorial Hall, First Floor, 120 SW 10 Ave., Topeka, KS 66612-1594 (785) 296-4564 or [www.kssos.org](http://www.kssos.org).
- File Annual Interrogatory Form in accordance with the Commission's Order in Docket 13-GIMT-736-GIT dated December 3, 2013.
- Pay all assessments due to the Commission and/or the Citizen's Utilities Ratepayer Board (CURB) pursuant to K.S.A. 66-1501, 66-1502, 66-1503, and 66-1504.
- File reports and pay assessments to the Kansas Universal Service Fund (KUSF) as set forth in K.S.A. 66-2008(a) and the Commission's December 27, 1996 Order in Docket No. 94-GIMT-478-GIT. KUSF instructions and remittance forms may be obtained online at [www.gvnw.com/usf/kansas/index.htm](http://www.gvnw.com/usf/kansas/index.htm).
- A competitive local exchange carrier wishing to discontinue service shall notify customers and the Commission in accordance with Order No. 7 in the Commission's Docket No. 01-GIMT-649-GIT. An inter-exchange carrier providing service in Kansas wishing to discontinue service shall notify customers in accordance with FCC regulations.
- Promptly notify the Commission of any change of address and contact information.



- Treat each customer equally to all other similarly situated customers, free of prejudice or disadvantage.
- Respect customers' right to select different telecommunications services and vendors.
- Administer procedures to prevent deceptive and unfair marketing practices aimed at potential or existing customers.
- Protect customers' right to privacy, by safeguarding records and personal information against unauthorized use.
- Respond to consumer complaints or inquiries submitted by Commission Staff thoroughly and quickly.

*ANTHONY DUE*

**Verification**

I, *Anthony Due*, of lawful age, and being first duly sworn, now state: As an officer of the Applicant, I am authorized to and do hereby make the above commitment. Further, I acknowledge that failure to comply with the above commitments or other lawful requirements of the Commission will subject Applicant to potential fines, penalties, revocation of certification, or other sanctions and remedies.

*Anthony Due*

Subscribed and sworn to before me on this 25 Day of October, 2018

*Sami Jo Frisby*  
Notary Public

(8-26-14)

